



**REGULAR MEETING OF THE
CANYON LAKE CITY COUNCIL
Wednesday, February 1, 2017
Open Session – 6:30 p.m.**

**City Council Chambers
31516 Railroad Canyon Road
Canyon Lake, CA 92587**

Please turn off your cell phones during the meeting

OPEN SESSION – 6:30 P.M.

1. **Call Open Session to Order**
2. **Invocation**
Flag Salute
3. **Roll Call:** Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren, Mayor Haggerty
4. **Approval of City Council Agenda**
5. **Special Presentations and Proclamations:**
 - 5.1 **Chamber of Commerce Announcements**
6. **Public Comments** – Any person wishing to address the City Council on any matter within the jurisdiction of the City, whether or not it appears on this agenda, is asked to complete a “Speaker Request Form” available on the back counter. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council. The City Council has adopted a time limitation of three (3) minutes per person. If you are commenting on the agenda item, your comments will be heard at the time that particular item is scheduled on the agenda. *Please note that if you are addressing the City Council on items NOT on the agenda, the Brown Act does not allow discussion of such items. Therefore, the City Council may only do the following: refer the matter to staff, ask for additional information or request a report back, or give a very limited factual response.*
7. **Consent Calendar:**

All items listed on the Consent Calendar are considered to be routine matters, status reports or documents covering previous City Council action. The items listed on the Consent Calendar may be enacted in one motion. With the concurrence of the City

Council, a Council Member may request that an item be removed for further discussion.
Staff recommends approval of all items.

- 7.1 Waiver of Reading in Full of all Ordinances by Title Only**
- 7.2 City Council Meeting Minutes**
 - 7.2.1 December 14, 2016 – Adjourned Meeting **Pg. 5**
 - 7.2.2 January 4, 2017 – Regular Meeting **Pg. 15**
- 7.3 Adoption of Resolution No. 2017-01, Approving Claims and Demands of the City **Pg. 21****
- 8. Pulled Consent Calendar Items**
- 9. Schedule of Future Events:**
 - 9.1 Administration, Finance and Planning Committee Meeting
Tuesday, February 28, 2017 at 8:00 a.m., City Council Chambers
 - 9.2 Public Safety Committee Meeting
Wednesday, February 22, 2017 at 9:30 a.m., City Council Chambers
 - 9.3 Canyon Lake City Council Meeting
Wednesday, March 1, 2017 at 6:30 p.m., City Council Chambers
 - 9.4 Water Committee Meeting
Thursday, February 16, 2016 at 9:00 a.m., EVMWD
 - 9.5 Economic Development and Healthy Communities Meeting
Meeting Date To Be Determined
 - 9.6 Veterans Committee Meeting
Meeting Date To Be Determined
- 10. Business Items**
 - 10.1 Consideration of the Fiscal Year 2015-16 Annual Financial Audit **Pg. 43****
- 11. City Manager Comments**
- 12. Committee and Council Reports/Comments**
 - 12.1 Council Member Bonner
 - 12.2 Council Member Ehrenkranz
 - 12.3 Council Member Greene
 - 12.4 Mayor Pro Tem Warren
 - 12.5 Mayor Haggerty
- 14. Announcements**

The next regular City Council meeting is scheduled for **Wednesday, March 1, 2017 at 6:30 p.m. for open session**
- 16. Adjournment**

VISION STATEMENT

The vision of the City of Canyon Lake is to be a City that provides a quality of life that makes Canyon Lake the premier place to live in Southern California.

ATTENTION RESIDENTS:

Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityofcanyonlake.org once the agenda has been publicly posted. Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting. It is the intention of the City of Canyon Lake to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or participant at this meeting, you will need special assistance beyond what is normally provided, the City of Canyon Lake will attempt to accommodate you in every reasonable manner. Please contact Ariel M. Hall, City Clerk, at least 48 hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

February 1, 2017 City Council Meeting

**STATE OF CALIFORNIA }
COUNTY OF RIVERSIDE } SS. AFFIDAVIT OF POSTING
CITY OF CANYON LAKE }**

I, Stephanie N. Hunter, being duly sworn, depose and say that I am the duly appointed and qualified Office Specialist of the City of Canyon Lake and that on January 26, 2017 before the hour of 5:00 p.m., I caused the above notice to be posted as required by Resolution 2015-36 of the City Council of the City of Canyon Lake.

**Stephanie N. Hunter
Office Specialist**

MINUTES
ADJOURNED REGULAR MEETING OF THE
CANYON LAKE CITY COUNCIL
Wednesday, December 14, 2016
Open Session - 6:00 p.m.

City Council Chambers
31516 Railroad Canyon Road
Canyon Lake, CA 92587

1. Call Open Session to Order

Mayor Brown called the meeting to order at 6:02 p.m.

2. Invocation

The Invocation was led by Mayor Brown.

Flag Salute

Flag Salute was led by resident, Randy Bonner.

3. Roll Call

Present: Council Members Ehrenkranz, Warren, Zaitz, Mayor Pro Tem Haggerty and Mayor Brown

4. Approval of the City Council Agenda

Moved by Zaitz, seconded by Warren, to approve the agenda as presented.

Motion carried 5-0 with Council Members Ehrenkranz, Warren, Zaitz, Mayor Pro Tem Haggerty and Mayor Brown voting aye.

5. Special Presentations and Proclamations

5.1 State of the City Presentation

Mayor Brown gave the State of the City Presentation. Mayor Brown discussed the City's budget and the potential re opening of Fire Station 60 with paramedics. Mayor Brown also discussed his appreciation for City Manager Aaron Palmer and his knowledge on fire services. Mayor Brown also stated his appreciation to Mayor Pro Tem Haggerty and Council Member Warren for their work on the Fire Start Up Committee. There was discussion on the challenges the City faced throughout the

year and the positive state the City is in now. There was also accolades to the new Administrative Service Manager Mike Borja and to Charles Abbott for their work on building inspections, planning and engineering. Mayor Brown discussed the new City Monuments that would be installed January 2017, the updated laws regarding marijuana and that it had been a good year for the City of Canyon Lake.

5.2 Southern California Edison (SCE) Utility Update

Aileen Flores, SCE government Affairs Representative, gave the SCE Utility update presentation.

There was discussion regarding the transformers' performance.

There was discussion regarding work done on Continental and Golden Gate.

There was discussion that there would be more communication between SCE and the City.

5.3 Chamber of Commerce Announcements

Jim Randle, Chamber of Commerce President discussed the 21st Annual Award Gala Dinner, awards noted in the Friday Flyer, and Small Business Saturday.

6. Business Items

6.1 Adoption of Resolution No. 2016-36, declaring the results of the General Municipal Election held on November 8, 2016.

Office Specialist Hunter, introduced the item.

Moved by Haggerty, seconded by Zaitz, to approve Resolution 2016-36 as presented.

Motion carried 5-0 with Council Members Ehrenkranz, Warren, Zaitz, Mayor Pro Tem Haggerty and Mayor Brown voting aye.

7. Certificates of Election and Oath of Office

7.1 Presentation of Certificates of Election

Office Specialist Hunter presented Randy Bonner, Jordan Ehrenkranz and Larry Greene with Certificates of Election.

7.2 Oath of Office to Newly Elected City Council Members

Office Specialist Hunter issued the Oath of office for incoming Council Member Randy Bonner.

Assemblywoman Melissa Melendez issued the Oath of office for incumbent Council Member Jordan Ehrenkranz.

Sparrow Greene, Larry Green's wife, issued the Oath of office for incoming Council Member Larry Greene.

7.3 Comments by Newly Elected City Council Members

Randy Bonner discussed his excitement to be voted back to Council.

Jordan Ehrenkranz discussed his appreciation for those that supported him and discussed that he would be looking forward to serving on the council.

Larry Greene discussed his appreciation for all who supported him in his candidacy, the outgoing council and that he would be looking forward to working with staff and council.

8. Presentation to Outgoing Council Members

8.1 Presentation to Outgoing Council Members

City Manager Palmer presented John Zaitz with a plaque.

City Manager Palmer presented Tim Brown with a plaque and gavel.

8.2 Comments by Outgoing Council Members

Council Member Zaitz discussed his outgoing Council comments.

Mayor Brown discussed his outgoing Council comments.

Outgoing Mayor Brown called for a recess at 6:53 p.m.

Mayor Pro Tem Haggerty called the meeting back to order at 7:07 p.m.

9. Roll Call

Present: Council Members Bonner, Ehrenkranz, Greene, Warren, Mayor Pro Tem Haggerty

10. City Council Reorganization

10.1 Selection of Mayor

Office Specialist Hunter asked for nominations for appointment to the Mayor seat.

Council Member Bonner nominated Mayor Pro Tem Haggerty for Mayor.

There were no further nominations, Office Specialist Hunter conducted a roll call vote.

Council Member Bonner, Ehrenkranz, Greene, Warren and Mayor Pro Tem Haggerty voted for Dawn Haggerty to be appointed for Mayor.

10.2 Selection of Mayor Pro Tem

Council Member Ehrenkranz nominated Council Member Warren for appointment to the Mayor Pro Tem seat.

There being no further nominations, Office Specialist Hunter conducted a roll call vote.

Council Member Bonner, Ehrenkranz, Greene, Warren and Mayor Haggerty voted for Vicki Warren to be appointed for Mayor Pro Tem.

10.3 Committee and Agency Assignments

There was discussion regarding merging the Administration and Finance Committee with the Planning Committee.

Moved by Haggerty, seconded by Bonner to merge the Administration and Finance Committee with the Planning Committee.

Motion carried 5-0.

There was discussion regarding which appointments each Council Member would like.

Mayor Haggerty announced the appointments to each committee and outside board.

Moved by Warren, seconded by Greene to approve the announced appointments.

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

11. Public Comments

There were no public comments.

12. Consent Calendar

12.1 Waiver of Reading in Full of all Ordinances by Title Only

12.2 City Council Meeting Minutes

12.2.1 October 26, 2016 – Special Meeting

12.2.2 November 2, 2016 – Regular Meeting

12.2.3 December 7, 2016 – Adjourned Meeting

12.3 Adoption of Resolution No. 2016-35, Approving Claims and Demands of the City

12.4 Reimbursement request by Council Member Zaitz **Pulled******

12.5 2017 City Council Meeting Dates

Moved by Ehrenkranz, seconded by Warren to approve the Consent Calendar with item 12.4 pulled.

Motion carried 3-2 with Council Member Ehrenkranz, Mayor Pro Tem Warren and Mayor Haggerty voting aye and Council Members Bonner and Greene abstaining.

13. Pulled Consent Calendar Items

There was discussion regarding the reimbursement request by Council Member Zaitz.

There was discussion regarding the approval of \$60.00 and \$40.00 for Council Member Zaitz's phone and internet reimbursement and no reimbursement for a printer.

Moved by Warren, seconded by Greene to approve to pay \$60.00 and \$40.00 for a total of \$100.00 to John Zaitz.

Former Council Member Zaitz discussed the reason for his reimbursement request.

City Attorney Martyn discussed the options the City Council had regarding Council Member Zaitz's request.

There was discussion regarding past practices.

City Attorney Martyn announced Council Member Zaitz had submitted a City Claim Form.

There was discussion that the claim would be placed on the January agenda for closed session.

There was discussion regarding the research regarding the established amounts of \$40.00 and \$60.00 for internet and phone reimbursement.

Travis Montgomery, a resident, discussed Council reimbursement and his opposition to the City Council being paid for internet and phone services that they personally used and had prior to being elected to the City Council.

There was discussion that personal equipment for Council Members was not the responsibility of the City.

There was discussion regarding past equipment requests that were denied.

Motion carried 5-0 with Council Member Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

14. Schedule of Future Events:

There were no objections to the schedule of future events.

15. Public Hearing

15.1 Second reading, Public Hearing and Adoption of Ordinance No. 169 - An ordinance of the City Council of the City of Canyon Lake, California, repealing and readopting revised section 8.02 of title 8 of the Canyon Lake municipal code to adopt the 2016 editions of the California codes (including but not limited to the green building code) and related model codes with appendices and amendments thereto

Office Specialist Hunter introduced and read the title of Ordinance No. 169.

Mayor Haggerty opened the public hearing at 7:43 p.m.

Building Official Jim Barrett gave the staff presentation.

There was discussion regarding what the new California Codes included.

There was discussion regarding the U.B.C (Uniform Building Code).

Mayor Haggerty closed the public hearing at 7:45 p.m.

There was discussion regarding the comparison with the old edition of the California Code and what is being brought to Council for adoption.

Moved by Warren, seconded by Greene to approve Ordinance No. 169

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

15.2 Public hearing and approval of Resolution 2016-33: Authorizing the Allocation of Community Development Block Grant Funds for Fiscal Year 2016/2017

Mayor Haggerty introduced the item.

Mayor Haggerty opened the public hearing at 7:50 p.m.

Administrative Services Manager Mike Borja gave the staff report.

Proponent, Steve Falk, the new executive director for H.O.P.E (Helping Our People of Elsinore), discussed their cause.

There was discussion regarding the new location, hours, and what donations H.O.P.E would take in.

There was discussion on how people would find out about H.O.P.E.

There was discussion that there was \$22,712.00 from CDBG (Community Development Block Grant) Funds and if Council approved the fifteen percent to H.O.P.E they would receive \$3,407.00.

There was discussion regarding the amounts that are allocated.

Mayor Haggerty closed the public hearing at 8:05 p.m.

Moved by Greene, seconded by Haggerty to approve Resolution 2016-33 as presented.

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

15.3 Public hearing and adoption of Ordinance No. 171 Extending an interim urgency ordinance of the City Council of the City of Canyon Lake regulating personal indoor cultivation of recreational marijuana, banning outdoor personal cultivation of recreational marijuana, prohibiting marijuana use in any City facility or property, and declaring the urgency thereof

Office Specialist Hunter introduced Ordinance No. 171.

Mayor Haggerty opened the public hearing at 8:07 p.m.

City Attorney Elizabeth Martyn gave the staff report.

There was discussion that because Proposition 64 passed the sunset clause of the ordinance was of no meaning.

There was discussion regarding cultivation in greenhouses.

Mayor Haggerty closed the public hearing at 8:12 p.m.

Moved by Bonner, seconded by Greene to approve Ordinance No. 171 as presented.

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

16. Business Items

16.1 Approval of Check 22701 – FORMA; Payment for BLM study

City Manager Palmer introduced the item and discussed outside funding from WRCOG (Western Riverside Council of Governments) that would reimburse the City for the \$5,000.00.

Moved by Warren, seconded by Bonner to approve Check No. 22701.

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

16.2 Introduction and First Reading and schedule public hearing for Ordinance No. 170; Repealing Ordinance No. 150 and Adopting the 2016 California Fire Code as Amended by the City of Canyon Lake

Office Specialist Hunter introduced the item.

Fire Marshall for Riverside County Fire department, James Frater, introduced the 2016 California Fire Code and the amendments.

There was discussion regarding fire sprinkler square footage requirements for residential buildings.

There was discussion regarding canopy requirements.

There was discussion regarding how much of the NFPA (National Fire Protection Association) standards are used in the California Fire Code.

There was discussion regarding the amendment for new gates, and that it was not retroactive and only applied to new gates.

Moved by Greene, seconded by Bonner to set a Public Hearing date of January 4, 2017, and to hold introduction and first reading of Ordinance No. 170. .

Motion carried 5-0 with Council Members Bonner, Ehrenkranz, Greene, Mayor Pro Tem Warren and Mayor Haggerty voting aye.

17. City Manager Comments

City Manager Palmer discussed the Board of Supervisors meeting and the fire contract that the County accepted for the City of Calimesa regarding a different staffing model.

There was discussion that there would be an agenda item to discuss a fire contract.

There was discussion that the City's contract runs to the end of June 2017 so the new contract would be for July 2017.

There was discussion on the potential work that would need to be done at Fire Station 60.

18. Committee and Council Reports/Comments

18.1 Council Member Bonner

There were no comments

18.2 Council Member Ehrenkranz

Council Member Ehrenkranz discussed his appreciation to staff, Mayor Pro Tem Warren, and Mayor Haggerty.

18.3 Council Member Greene

Council Member Greene discussed what he was looking forward to, And stated his appreciation for the Canyon Lake Tree Lighting Event.

18.4 Council Member Haggerty

Mayor Haggerty discussed the past Christmas Tree Lighting Event and her appreciation to staff for their work on the event.

Mayor Haggerty discussed fire and police services, and the future of those services.

Mayor Haggerty discussed her appreciation for outgoing Mayor Tim Brown.

18.5 Council Member Warren

Mayor Pro Tem Warren discussed her appreciation for staff and the work that went on for the Veterans Day event.

19. Announcements

Mayor Haggerty announced the next regular City Council meeting is scheduled for January 4, 2016 at 5:30 for Closed Session and 6:30 p.m. for Open Session.

20. Adjournment

Mayor Haggerty adjourned the meeting at 8:40 p.m.

Respectfully submitted,

Stephanie Hunter
Office Specialist

MINUTES
MEETING OF THE
CANYON LAKE CITY COUNCIL
Wednesday, January 4, 2017
Closed Session – 5:30 p.m.
Open Session - 6:30 p.m.

City Council Chambers
31516 Railroad Canyon Road
Canyon Lake, CA 92587

1. Call Open Session to Order

Mayor Pro Tem Warren called the meeting to order at 6:30 p.m.

2. Invocation

The Invocation was led by resident Nancy Horton.

Flag Salute

Flag Salute was led by resident Ted Horton.

3. Roll Call

Present: Council Members Bonner, Ehrenkranz, Greene, and Mayor Pro Tem Warren

Absent: Mayor Haggerty (Excused due to illness)

4. Approval of the City Council Agenda

Moved by Ehrenkranz, seconded by Bonner, to approve the agenda as presented.

Motion carried 4-0-1 with Council Members Bonner, Ehrenkranz, Greene, and Mayor Pro Tem Warren voting aye and Mayor Haggerty absent.

5. Special Presentations and Proclamations

5.1 Chamber of Commerce Announcements

Jim Randle, Chamber of Commerce President, discussed the Insulation Gala, the new Board of Directors members, Berry Walker and Matt Swinson, that would be sworn in, and the need for donations for the raffle and silent auction.

6. Public Comment

Nancy Horton, division one Board of Directors for Elsinore Valley Municipal Water District (EVMWD), discussed the City of Canyon Lake and the City of Lake Elsinore lake levels, the drought, and the cooperation between the Property Owners Association (POA), the City of Canyon Lake, and EVMWD.

7. Consent Calendar

7.1 Waiver of Reading in Full of all Ordinances by Title Only

7.2 Adoption of Resolution No. 2016-37, Approving Claims and Demands of the City

7.3 4 Claims Against the City by John Zaitz

There was discussion to pull check no. 22811 for discussion.

There was discussion regarding check no. 22811 without pulling it and to approve the entire consent calendar.

There was discussion regarding the details of check no. 22811, which was a check to reimburse Former Mayor Tim Brown. City Manager Palmer described the amounts being reimbursed.

Moved by Bonner, seconded by Haggerty, to approve the Consent Calendar as presented.

Motion carried 4-0-1 with Council Members Bonner, Ehrenkranz, Greene, and Mayor Pro Tem Warren voting aye and Mayor Haggerty absent.

8. Pulled Consent Calendar Items

There were no pulled consent calendar items.

9. Schedule of Future Events:

Mayor Pro Tem Warren announced the schedule of future events.

10. Public Hearing

10.1 Public Hearing, second reading, and adoption of Ordinance No. 170; Repealing Ordinance No. 150 and Adopting the 2016 California Fire Code as Amended by the City of Canyon Lake

Office Specialist Hunter introduced the item.

Mayor Pro Tem Warren opened the public hearing at 6:40 p.m.

James Frater, Riverside County Fire Marshal, stated there had been no changes since the first reading at the December Council Meeting and was available for questions.

There was discussion regarding cost recovery.

There were no public comments on the item.

Mayor Pro Tem closed the public hearing at 6:44 p.m.

Moved by Greene, seconded by Ehrenkranz, to adopt the new edition of the fire code as amended as recommended by the fire marshal.

Motion carried 4-0-1 with Council Members Bonner, Ehrenkranz, Greene, and Mayor Pro Tem Warren voting aye and Mayor Haggerty absent.

11. Business Items

11.1 Update re possible one-year fire contract with Riverside County to place a two-person squad at Station 60

City Manager Palmer introduced the item.

There was discussion on if there could be a potential change in cost through Riverside County Fire from the proposed amount discussed approximately six months ago.

There was discussion regarding the contract for Calimesa, and the decision that would have to be made within a six month period to renew and extend a contract with Riverside County Fire.

There was discussion regarding the staffing levels that might be proposed for opening Station 60, and the potential costs that would go along with that. There was discussion regarding the work-week for CalFire employees that the State had recently negotiated with the employee union.

There was further discussion regarding the six month decision that was required. There was additional discussion regarding potential options that may become available.

There was discussion regarding the City's current contract that would be ending in June 2017 and it was discussed the City would need the time between January and June to bring Station 60 up to date if the City decided to move ahead with staffing the station.

Resident Berry Talbot discussed his concerns regarding the negotiations with the County and congratulated the City for what they had accomplished in regards to the possibility of opening Station 60.

Resident John Zaitz discussed the Riverside County Board of Supervisor Meeting that was held on December 13, 2016 and what the fire contract for Calimesa included.

City Manager Palmer announced that he would return to the City Council with the contract that Calimesa has approved in the future for further discussion.

11.2 Discussion Regarding Process for Update and Possible Revision of complete Council Reimbursement Policies

City Attorney Martyn introduced the item.

There was discussion regarding creating an ad hoc committee that would discuss the Council Reimbursement Policy and report findings to the Council.

There was discussion of Council Member Greene and Council Member Bonner chairing the ad hoc committee.

There was discussion of having different members than the Administration and Finance Committee in order to prevent Brown Act violations.

There was discussion of Council Member Greene and Mayor Pro Tem Warren being members of the ad hoc committee.

11.3 Discussion on Possible Cafeteria Benefit Increase for staff

City Manager Palmer introduced the item.

There was discussion regarding how the amount of \$1350.00 was derived.

There was discussion that the city survey showed the amount of \$1350.00 would be comparable to similar cities.

There was discussion regarding the Cafeteria Plan for Calimesa and Lake Elsinore.

There was discussion of how cities determine their benefits package.

There was discussion of a \$300.00 increase to \$1100.00, instead of staff's recommended amount.

Moved by Greene, seconded by Ehrenkranz, to approve the Cafeteria Benefit increase of \$300.00 to the amount of \$1106.29.

Motion carried 4-0-1 with Council Members Bonner, Ehrenkranz, Greene, and Mayor Pro Tem Warren voting aye and Mayor Haggerty absent.

12. City Manager Comments

There was discussion regarding the fire contract and the possibility of looking at other options if the current option does not work out in the City's favor.

City Manager Palmer also discussed his appreciation to staff.

13. Committee and Council Reports/Comments

13.1 Council Member Bonner

Council Member Bonner discussed his appreciation for the holidays. There was also discussion on the difference between a Roundtable Meeting and a Committee Meeting, and that the Roundtable Meetings would be started back in February.

13.2 Council Member Ehrenkranz

Council Member Ehrenkranz discussed the holidays and meetings that would resume as normal.

There was also discussion of closing the meeting in honor of John Benoit, Supervisor of the fourth district.

13.3 Council Member Greene

Council Member Greene discussed the Administrative and Finance Committee Meeting, the Canyon Lake Dog Park opening, and Building and Code Enforcement working with the POA to discuss current issues. Council Member Greene also discussed the current financial state of the City.

13.4 Mayor Pro Tem Warren

Mayor Pro Tem Warren discussed the tree lighting and compliments received throughout the holidays, that the Alum Treatments would be done again in the spring as usual, and meeting would be back on schedule for the rest of the month.

13.5 Mayor Haggerty

Mayor Haggerty was absent.

13. Announcements

The next regular City Council meeting was scheduled for **Wednesday, February 1, 2017 at 6:30 p.m. for open session**

14. Adjournment

Mayor Pro Tem Warren closed the meeting in honor of John Benoit at 7:13 p.m.

Respectfully submitted,

Stephanie Hunter
Office Specialist

**City of Canyon Lake
City Council
Staff Report**

TO: Mayor and City Council
FROM: Kayla Malin, Accountant
DATE: February 1, 2016
SUBJECT: List of Demands

Recommendation:

That the City Council adopts a resolution entitled: RESOLUTION NO. 2017-01

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF CANYON LAKE ALLOWING CERTAIN
CLAIMS AND DEMANDS AS SET FORTH IN EXHIBIT A

Background:

All claims and demands are reported and summarized for review and approval by the City Council on a routine basis at each City Council meeting. The attached claims represent the paid claims and demands since the City Council meeting of December 14, 2016.

Budget (or Fiscal) Impact:

All claims and demands are paid from appropriated funds or authorized resources of the City and have been recorded in accordance with the City's policies.

Attachments:

Resolution
List of Demands

RESOLUTION NO. 2017-01

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE, CALIFORNIA, ALLOWING CERTAIN CLAIMS AND DEMANDS AS SET FORTH IN EXHIBIT A

The City Council of the City of Canyon Lake does hereby resolve as follows:

Demands are approved as shown on the Demand\Warrant Register of February 1st, in the amount of \$313,201.22 as follows:

Payroll Earnings (Gross)	\$	36,464.95	(2nd Half of December & 1st Half of January)
Payroll Taxes - Employer	\$	1,660.95	(2nd Half of December & 1st Half of January)
On-line Retirement		3,875.80	(2nd Half of December & 1st Half of January)
On-line Health		730.40	(For the Month of January)
General		270,469.12	
TOTAL	\$	<u>313,201.22</u>	

PASSED, APPROVED AND ADOPTED this 1st day of February 2017.

Mayor, Dawn Haggerty

ATTEST:

Stephanie Hunter, Office Specialist

State of California
County of Riverside) ss
City of Canyon Lake)

I, Ariel M. Hall, City Clerk of the City of Canyon Lake, California, DO HEREBY CERTIFY, that the foregoing is a true and correct copy of the Resolution No. 2017-01 adopted by the City Council of the City of Canyon Lake, California, at a regular meeting thereof, held on February 1, 2017, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Stephanie Hunter, Office Specialist

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
22826	12/28/2016	NANCY GREENHALGH	Health Insurance for Nancy Greenhalgh Jan 2017	<u>87.67</u>	10	GENERAL
Total 22826	12/28/2016			87.67		
22827	12/28/2016	STATE COMP. INS. FUND	Workers Comp for Janaury 2017	<u>1,226.00</u>	10	GENERAL
Total 22827	12/28/2016			1,226.00		
22828	1/4/2017	JOHN REGUS	January 2017 Rent for Library	<u>983.45</u>	10	GENERAL
Total 22828	1/4/2017			983.45		
22829	1/4/2017	JOHN REGUS	January 2017 Rent for Small Conference Room	<u>250.00</u>	10	GENERAL
Total 22829	1/4/2017			250.00		
22830	1/11/2017	Advance Auto Care	Smog Insp & Certificate for 08 GMC - Yukon Hybrid; 12/27/16	<u>50.00</u>	10	GENERAL
Total 22830	1/11/2017			50.00		
22831	1/11/2017	AMERICAN FORENSIC NURSES INC	Blood Draws; Invoice Date: 12/15/16	<u>40.00</u>	10	GENERAL
Total 22831	1/11/2017			40.00		
22832	1/11/2017	California Bulding Standards Commission	Permit Valuation Fee Report Form; October - December 2016	<u>85.50</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22832	1/11/2017			85.50		
22833	1/11/2017	CHARLES ABBOTT ASSOCIATES, INC.	Engineering Services for December 2016	786.50	10	GENERAL
22833	1/11/2017	CHARLES ABBOTT ASSOCIATES, INC.	Environmental Services for December 2016	184.00	10	GENERAL
22833	1/11/2017	CHARLES ABBOTT ASSOCIATES, INC.	Engineering Services & PV Maintenance; December 2016	<u>17,632.72</u>	20	GAS TAX
Total 22833	1/11/2017			18,603.22		
22834	1/11/2017	Corelogic Information Solutions, INC.	Data Base for Code Enforcement Cases; January 2017	<u>38.25</u>	10	GENERAL
Total 22834	1/11/2017			38.25		
22835	1/11/2017	Cota Cole LLP	Attorney Services for CL - December 2016	4,231.92	10	GENERAL
22835	1/11/2017	Cota Cole LLP	Attorney Services for Marina Landscape Maint.; Dec 2016	<u>460.00</u>	10	GENERAL
Total 22835	1/11/2017			4,691.92		
22836	1/11/2017	CR&R	Public Works Debris Clean-Up Railroad Cyn Rd; November 2016	<u>194.22</u>	50	AGENCY
Total 22836	1/11/2017			194.22		
22837	1/11/2017	CTAI PACIFIC GREENSCAPE	CL Fire Station Irrigation Repair; September 2016	50.00	10	GENERAL
22837	1/11/2017	CTAI PACIFIC GREENSCAPE	Landscape Maint. Fire Station; Dec 2016	250.00	10	GENERAL
22837	1/11/2017	CTAI PACIFIC GREENSCAPE	Canyon Road Tree Replacement Phase 1 & 2; Invoice:12/12/16	15,185.00	20	GAS TAX

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
22837	1/11/2017	CTAI PACIFIC GREENSCAPE	Canyon Road Tree Replacement Phase 3 & 4; Invoice:12/16/16	18,195.00	20	GAS TAX
22837	1/11/2017	CTAI PACIFIC GREENSCAPE	Landscape Maint. Median & Parkways; Dec 2016	<u>5,200.00</u>	20	GAS TAX
Total 22837	1/11/2017			38,880.00		
22838	1/11/2017	Department of Justice Accounting Office	Fingerprinting; December 2016	<u>64.00</u>	10	GENERAL
Total 22838	1/11/2017			64.00		
22839	1/11/2017	DEPARTMENT OF CONSERVATION	Q4 State Report for Motion & Seismic Hazard ; Oct - Dec	<u>388.42</u>	10	GENERAL
Total 22839	1/11/2017			388.42		
22840	1/11/2017	ELSINORE VALLEY MUNI WATER DIS	Water Bill for City Hall; 11/22/16 to 12/22/16	104.19	10	GENERAL
22840	1/11/2017	ELSINORE VALLEY MUNI WATER DIS	Water Bill for Irrigation; 11/28/16 to 12/28/16	<u>831.93</u>	20	GAS TAX
Total 22840	1/11/2017			936.12		
22841	1/11/2017	Executive Cleaning Services, LLC	Cleaning Services for January 2017	<u>0.00</u>	10	GENERAL
Total 22841	1/11/2017			0.00		
22842	1/11/2017	FRIDAY FLYER	Adoption Ordinance No. 170; 12/12/16	72.00	10	GENERAL
22842	1/11/2017	FRIDAY FLYER	Ordinance No. 169; 12/12/16	<u>23.25</u>	10	GENERAL
Total 22842	1/11/2017			95.25		

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
22843	1/11/2017	THE GAS COMPANY	Gas bill; Billing Period: 11/29/16 to 12/29/16	<u>195.92</u>	10	GENERAL
Total 22843	1/11/2017			195.92		
22844	1/11/2017	GOLDING PUBLICATIONS	Business Cards for Building & Safety; Invoice Date: 7/27/16	<u>151.20</u>	10	GENERAL
Total 22844	1/11/2017			151.20		
22845	1/11/2017	L.C.C - Riverside Division	League of Cities General Meeting for Haggerty, Dawn	<u>25.00</u>	10	GENERAL
Total 22845	1/11/2017			25.00		
22846	1/11/2017	League of California Cities	Membership Dues for 2017	<u>5,729.00</u>	10	GENERAL
Total 22846	1/11/2017			5,729.00		
22847	1/11/2017	Montoya Signs	Window Cleaning; January 2017	<u>50.00</u>	10	GENERAL
Total 22847	1/11/2017			50.00		
22848	1/11/2017	OTIS ELEVATOR COMPANY	Service for Elevator; 1/1/17 to 12/31/17	<u>4,382.97</u>	10	GENERAL
Total 22848	1/11/2017			4,382.97		
22849	1/11/2017	PETERSON ELECTRIC	CL Town Center Replace Lamps & Add Leg for Sign; 12/14/16	<u>448.80</u>	10	GENERAL
Total 22849	1/11/2017			448.80		

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
22850	1/11/2017	Rogers, Anderson, Malody & Scott, LLP	Accounting Services; November 2016	<u>6,700.00</u>	10	GENERAL
Total 22850	1/11/2017			6,700.00		
22851	1/11/2017	Regional Conservation Authority	Multiple Species Habitat Conservation Plan Fees - Dec 2016	<u>1,992.00</u>	50	AGENCY
Total 22851	1/11/2017			1,992.00		
22852	1/11/2017	County of Riverside	FY 17 November 2016 SLF Cost	<u>839.01</u>	20	GAS TAX
Total 22852	1/11/2017			839.01		
22853	1/11/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Office Lease; 11/19/16 to 12/20/16	38.81	10	GENERAL
22853	1/11/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Traffic Signals; 11/21/16 to 12/21/16	91.49	20	GAS TAX
22853	1/11/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Traffic Signals; 11/30/16 to 12/29/16	<u>432.05</u>	20	GAS TAX
Total 22853	1/11/2017			562.35		
22854	1/11/2017	Signs4Realtors	Table Banner for Veterans Day Celebration; Inv. Date 11/7/16	<u>85.86</u>	10	GENERAL
Total 22854	1/11/2017			85.86		
22855	1/11/2017	STAPLES	Office Supplies; Invoice Date: 12/17/16	338.89	10	GENERAL
22855	1/11/2017	STAPLES	Office Supplies; Stamp Refill/Folders Invoice Date: 12/24/16	<u>155.01</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22855	1/11/2017			493.90		
22856	1/11/2017	STATE COMP. INS. FUND	Workers Comp Deposit Premium Bill; Invoice Date: 1/9/17	<u>375.00</u>	10	GENERAL
Total 22856	1/11/2017			375.00		
22857	1/11/2017	Synoptek	Managed Server & Help Desk per User; December 2016	<u>1,925.00</u>	10	GENERAL
Total 22857	1/11/2017			1,925.00		
22858	1/11/2017	TelePacific Communications	Phone Bill for 12/16/16 to 1/15/17	<u>493.25</u>	10	GENERAL
Total 22858	1/11/2017			493.25		
22859	1/11/2017	Toshiba Financial Services	Monthly Copier Lease for December 2016	<u>841.50</u>	10	GENERAL
Total 22859	1/11/2017			841.50		
22860	1/11/2017	Tyco Integrated Security LLC	Security Alarm System; December 2016	<u>410.40</u>	10	GENERAL
Total 22860	1/11/2017			410.40		
22861	1/11/2017	WRCOG	TUMF Fees; December 2016	<u>4,437.00</u>	50	AGENCY
Total 22861	1/11/2017			4,437.00		
22862	1/11/2017	XEROX	Copier Lease, December 2016	<u>513.76</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22862	1/11/2017			513.76		
22863	1/23/2017	Aaron Palmer	Moving Expenses per EE Contract	<u>3,000.00</u>	10	GENERAL
Total 22863	1/23/2017			3,000.00		
22864	1/23/2017	ANIMAL FRIENDS OF THE VALLEYS	Animal Control Services for Oct and Nov 2016	<u>7,000.00</u>	10	GENERAL
Total 22864	1/23/2017			7,000.00		
22865	1/23/2017	CHARLES ABBOTT ASSOCIATES, INC.	Permit and Plan Review	<u>10,865.20</u>	10	GENERAL
Total 22865	1/23/2017			10,865.20		
22866	1/23/2017	CANYON LAKE MERCHANT-S ASSOC.	2017 Assessments for city hall	<u>4,280.00</u>	10	GENERAL
Total 22866	1/23/2017			4,280.00		
22867	1/23/2017	County of Riverside	Law Enforcement Services (Contract Law) 11/10/16 - 12/7/16	<u>112,117.55</u>	10	GENERAL
Total 22867	1/23/2017			112,117.55		
22868	1/23/2017	DATA TICKET	Code Enforcement Citation Processing, Dec 2016	338.00	10	GENERAL
22868	1/23/2017	DATA TICKET	Monthly Citations, Dec 2016	<u>100.00</u>	10	GENERAL
Total 22868	1/23/2017			438.00		
22869	1/23/2017	ELSINORE VALLEY MUNI WATER DIS	Water Bill for Fire Station; period 11/28/16-12/28/16	<u>186.67</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22869	1/23/2017			186.67		
22870	1/23/2017	Frontier	Fios Internet, Billing Period 01/10/017-02/09/17	144.99	10	GENERAL
22870	1/23/2017	Frontier	Phones, Billing Period 01/13/17-02/12/17	221.38	10	GENERAL
22870	1/23/2017	Frontier	Phones; Billing Period 01/10/17-02/09/17	58.77	10	GENERAL
22870	1/23/2017	Frontier	Phones; billing period 1/13/17-2/12/17	<u>117.56</u>	10	GENERAL
Total 22870	1/23/2017			542.70		
22871	1/23/2017	GOLDING PUBLICATIONS	Business Cards for Building and Safety; Inv date 7/27/2016	<u>37.80</u>	10	GENERAL
Total 22871	1/23/2017			37.80		
22872	1/23/2017	Dawn Haggerty	Internet/Phone Exp Reimb Jan 2017	<u>100.00</u>	10	GENERAL
Total 22872	1/23/2017			100.00		
22873	1/23/2017	International Institute of Municipal Clerks	Annual Membership Fee - City Clerk	<u>160.00</u>	10	GENERAL
Total 22873	1/23/2017			160.00		
22874	1/23/2017	Jani-King of California, Inc. L.A./Col Region	Janitorial Services for City Hall; Jan 2017(Partial Billing)	<u>469.63</u>	10	GENERAL
Total 22874	1/23/2017			469.63		
22875	1/23/2017	Jim Foley Trucking	Sand for citizens at fire station	<u>343.18</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22875	1/23/2017			343.18		
22876	1/23/2017	LANCE, SOLL & LUNGHARD	2016 Financial Audit - Final	<u>925.00</u>	10	GENERAL
Total 22876	1/23/2017			925.00		
22877	1/23/2017	NANCY GREENHALGH	Health Insurance for Nancy Greenhalgh; Feb 2017	<u>196.21</u>	10	GENERAL
Total 22877	1/23/2017			196.21		
22878	1/23/2017	Rogers, Anderson, Malody & Scott, LLP	Accounting Services - December 2016	<u>6,700.00</u>	10	GENERAL
Total 22878	1/23/2017			6,700.00		
22879	1/23/2017	JOHN REGUS	February 2017 Rent for Small Conference Room	<u>250.00</u>	10	GENERAL
Total 22879	1/23/2017			250.00		
22880	1/23/2017	JOHN REGUS	February 2017 Rent for Library	<u>1,012.95</u>	10	GENERAL
Total 22880	1/23/2017			1,012.95		
22881	1/23/2017	County of Riverside	FY16 December SLF Costs; Inv date 1/18/17	<u>123.06</u>	20	GAS TAX
Total 22881	1/23/2017			123.06		
22882	1/23/2017	County Executive Office	Animal Shelter Services (Jan-Mar 2017)	12,941.28	10	GENERAL
22882	1/23/2017	County Executive Office	SCFA Misc Expenses FY17/0110	<u>669.16</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22882	1/23/2017			13,610.44		
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for City Hall; 12/15/16-01/13/17	678.10	10	GENERAL
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Fire Station; 12/15/16--01/13/17	119.63	10	GENERAL
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Office Lease; 12/20/16-01/20/17	43.11	10	GENERAL
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Pump station; 12/9/16-01/09/17	198.37	20	GAS TAX
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Traffic Signals: 11/19/16-12/20/16	13.05	20	GAS TAX
22883	1/23/2017	SOUTHERN CALIFORNIA EDISON	Electricity Bill for Traffic Signals; 12/15/16-01/13/17	<u>199.79</u>	20	GAS TAX
Total 22883	1/23/2017			1,252.05		
22884	1/23/2017	Special District Risk Management Authority	Dental Insurance for January 2017	<u>198.79</u>	10	GENERAL
Total 22884	1/23/2017			198.79		
22885	1/23/2017	South Pacific Financial Corporation	Refund - Business License Overpd	<u>91.00</u>	10	GENERAL
Total 22885	1/23/2017			91.00		
22886	1/23/2017	Sparkletts	Water for City Hall; Billing Period December 2016	<u>47.24</u>	10	GENERAL
Total 22886	1/23/2017			47.24		
22887	1/23/2017	Speedy Vehicle Registration Services	Live Scans for Emergency/Prep Inv date 1/18/17	<u>200.00</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 22887	1/23/2017			200.00		
22888	1/23/2017	STAPLES	Office Supplies - Toner; Inv Date 1/7/17	409.00	10	GENERAL
22888	1/23/2017	STAPLES	Office Supplies; Inv date 1/14/17	<u>239.32</u>	10	GENERAL
Total 22888	1/23/2017			648.32		
22889	1/23/2017	STATE COMP. INS. FUND	Worker's Comp; February 2017	<u>1,226.00</u>	10	GENERAL
Total 22889	1/23/2017			1,226.00		
22890	1/23/2017	Synoptek	IT Services for January 2017	1,925.00	10	GENERAL
22890	1/23/2017	Synoptek	Replacement Computer for Gina Dickson	<u>1,312.27</u>	10	GENERAL
Total 22890	1/23/2017			3,237.27		
22891	1/23/2017	TelePacific Communications	City Hall Phone System; Period 01/16/17-02/15/17	<u>556.21</u>	10	GENERAL
Total 22891	1/23/2017			556.21		
22892	1/23/2017	U. S. Bank	09/06/16 Stmt Date, replaced ck#22636	744.04	10	GENERAL
22892	1/23/2017	U. S. Bank	City Credit Cards for Dec 2016	<u>2,072.03</u>	10	GENERAL
Total 22892	1/23/2017			2,816.07		
22893	1/23/2017	Verizon Wireless	Cell phones; Billing Period 01/04-02/03/17	332.74	10	GENERAL
22893	1/23/2017	Verizon Wireless	ipads; Billing Period 01/04/17-02/03/17	<u>239.10</u>	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 12/28/2016 Through 1/31/2017

Check Number	Matching Document Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
--------------	------------------------	-------------	-------------------------	--------------	-----------	------------------

Total	1/23/2017			<u>571.84</u>		
22893						

Report Total				<u>270,469.12</u>		
--------------	--	--	--	-------------------	--	--

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
Aaron Palmer	Moving Expenses per EE Contract	3,000.00
ANIMAL FRIENDS	Animal Control Services for Oct and Nov 2016	7,000.00
CHARLES ABBOTT	Permit and Plan Review	10,865.20
CL MERCHANTS	2017 Assessments for city hall	4,280.00
County of Riverside	Law Enforcement Services (Contract Law) 11/10/16 - 12/7/16	112,117.55
DATA TICKET	Code Enforcement Citation Processing, Dec 2016	338.00
	Monthly Citations, Dec 2016	100.00
EVMWD	Water Bill for Fire Station; period 11/28/16-12/28/16	186.67
Frontier	Phones; billing period 1/13/17-2/12/17	117.56
	Phones, Billing Period 01/13/17-02/12/17	221.38
	Phones; Billing Period 01/10/17-02/09/17	58.77
	Fios Internet, Billing Period 01/10/17-02/09/17	144.99
GOLDING	Business Cards for Building and Safety; Inv date 7/27/2016	37.80
Haggerty	Internet/Phone Exp Reimb Jan 2017	100.00
IIMC	Annual Membership Fee - City Clerk	160.00
Jani-King	Janitorial Services for City Hall; Jan 2017(Partial Billing)	469.63
Jim Foley Trucking	Sand for citizens at fire station	343.18
LANCE, SOLL	2016 Financial Audit - Final	925.00
Nancy Greenhalgh	Health Insurance for Nancy Greenhalgh; Feb 2017	196.21
RAMS	Accounting Services - December 2016	6,700.00
REGUS	February 2017 Rent for Small Conference Room	250.00
	February 2017 Rent for Library	1,012.95
Riv Co	FY16 December SLF Costs; Inv date 1/18/17	123.06
riv Co Exec	SCFA Misc Expenses FY17/0110	669.16
	Animal Shelter Services (Jan-Mar 2017)	12,941.28
SCE	Electricity Bill for Pump station; 12/9/16-01/09/17	198.37
	Electricity Bill for Office Lease; 12/20/16-01/20/17	43.11
	Electricity Bill for Fire Station; 12/15/16--01/13/17	119.63
	Electricity Bill for Traffic Signals: 11/19/16-12/20/16	13.05
	Electricity Bill for Traffic Signals; 12/15/16-01/13/17	199.79
	Electricity Bill for City Hall; 12/15/16-01/13/17	678.10
SDRMA	Dental Insurance for January 2017	198.79
South Pacific Financial Corporation	Refund - Business License Overpd	91.00
Sparkletts	Water for City Hall; Billing Period December 2016	47.24
Speedy Vehicle Registration Service	Live Scans for Emergency/Prep Inv date 1/18/17	200.00
STAPLES	Office Supplies - Toner; Inv Date 1/7/17	409.00
	Office Supplies; Inv date 1/14/17	239.32
STATE FUND	Worker's Comp; February 2017	1,226.00
Synoptek	IT Services for January 2017	1,925.00

Date: 1/25/17
04:31:12 PM

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

<u>Vendor ID</u>	<u>Invoice Description</u>	<u>Cash Required</u>
	Replacement Computer for Gina Dickson	1,312.27
TelePacific	City Hall Phone System; Period 01/16/17-02/15/17	556.21
US Bank	09/06/16 Stmt Date, replaced ck#22636	744.04
	City Credit Cards for Dec 2016	2,072.03
VerizonW	ipads; Billing Period 01/04/17-02/03/17	239.10
	Cell phones; Billing Period 01/04-02/03/17	332.74
Report Total		<u>173,203.18</u>

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

<u>Vendor ID</u>	<u>Invoice Description</u>	<u>Cash Required</u>
Nancy Greenhalgh STATE FUND	Health Insurance for Nancy Greenhalgh Jan 2017 Workers Comp for Janaury 2017	87.67 <u>1,226.00</u>
Report Total		<u>1,313.67</u>

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

<u>Vendor ID</u>	<u>Invoice Description</u>	<u>Cash Required</u>
REGUS	January 2017 Rent for Library	983.45
	January 2017 Rent for Small Conference Room	250.00
Report Total		<u>1,233.45</u>

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
Adv. Auto Care	Smog Insp & Certificate for 08 GMC - Yukon Hybrid; 12/27/16	50.00
AMERICAN FORENSIC CBSC	Blood Draws; Invoice Date: 12/15/16 Permit Valuation Fee Report Form; October - December 2016	40.00 85.50
CHARLES ABBOTT	Engineering Services & PV Maintenance; December 2016	17,632.72
	Engineering Services for December 2016	786.50
	Environmental Services for December 2016	184.00
Corelogic	Data Base for Code Enforcement Cases; January 2017	38.25
Cota Cole	Attorney Services for CL - December 2016	4,231.92
	Attorney Services for Marina Landscape Maint.; Dec 2016	460.00
CR&R	Public Works Debris Clean-Up Railroad Cyn Rd; November 2016	194.22
CTAI PACIFIC GREENSCAP	Canyon Road Tree Replacement Phase 1 & 2; Invoice:12/12/16	15,185.00
	Canyon Road Tree Replacement Phase 3 & 4; Invoice:12/16/16	18,195.00
	Landscape Maint. Median & Parkways; Dec 2016	5,200.00
	Landscape Maint. Fire Station; Dec 2016	250.00
	CL Fire Station Irrigation Repair; September 2016	50.00
Department of Justice DEPT OF CONSER	Fingerprinting; December 2016 Q4 State Report for Motion & Seismic Hazard ; Oct - Dec 2016	64.00 388.42
EVMWD	Water Bill for City Hall; 11/22/16 to 12/22/16	104.19
	Water Bill for Irrigation; 11/28/16 to 12/28/16	831.93
Executive Cleaning Services, LLC	Cleaning Services for January 2017	925.00
FRIDAY FLYER	Adoption Ordinance No. 170; 12/12/16	72.00
	Ordinance No. 169; 12/12/16	23.25
GAS CO	Gas bill; Billing Period: 11/29/16 to 12/29/16	195.92
GOLDING	Business Cards for Building & Safety; Invoice Date: 7/27/16	151.20
LCC Riverside	League of Cities General Meeting for Haggerty, Dawn	25.00
LOCC	Membership Dues for 2017	5,729.00
Montoya	Window Cleaning; January 2017	50.00
OTIS	Service for Elevator; 1/1/17 to 12/31/17	4,382.97
PETERSON	CL Town Center Replace Lamps & Add Leg for Sign; 12/14/16	448.80
RAMS	Accounting Services; November 2016	6,700.00

City of Canyon Lake
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
RCA	Multiple Species Habitat Conservation Plan Fees - Dec 2016	1,992.00
Riv Co	FY 17 November 2016 SLF Cost	839.01
SCE	Electricity Bill for Traffic Signals; 11/21/16 to 12/21/16	91.49
	Electricity Bill for Office Lease; 11/19/16 to 12/20/16	38.81
	Electricity Bill for Traffic Signals; 11/30/16 to 12/29/16	432.05
Signs4Realtors	Table Banner for Veterans Day Celebration;Inv. Date 11/7/16	85.86
STAPLES	Office Supplies; Invoice Date: 12/17/16	338.89
	Office Supplies; Stamp Refill/Folders Invoice Date: 12/24/16	155.01
STATE FUND	Workers Comp Deposit Premium Bill; Invoice Date: 1/9/17	375.00
Synoptek	Managed Server & Help.Desk per User; December 2016	1,925.00
TelePacific	Phone Bill for 12/16/16 to 1/15/17	493.25
Toshiba Financial	Monthly Copier Lease for December 2016	841.50
TYCO - ADT	Security Alarm System; December 2016	410.40
WRCOG	TUMF Fees; December 2016	4,437.00
XEROX	Copier Lease, December 2016	513.76
Report Total		95,643.82

**City of Canyon Lake
City Council
Staff Report**

TO: Honorable Mayor and Members of the City Council
BY: Terry Shea, Accountant
DATE: February 1, 2017
SUBJECT: Consideration of the Fiscal Year 2015-16 Annual Financial Audit

Recommendation

It is recommended that the City Council: receive and file the Fiscal Year 2015-16 Annual Financial Report.

Background

Attached you will find the City of Canyon Lake's Fiscal Year 2015-16 Annual Financial Report and associated letters prepared by Lance, Soll & Lunghard, LLP (LSL). The Annual Financial Report expresses an "unmodified opinion" for the City acknowledging the City's finances and accounting procedures are in order. The Administration and Finance Committee met with the accountant and reviewed the materials on January 3, 2017 and the Committee Member had a few questions concerning various items and all items were answered to their satisfaction.

Discussion

In early December, Lance, Soll & Lunghard, LLP (LSL) audited the City's financial records inclusive of reviewing its internal controls and testing procedures. As a result of that effort, along with an unmodified opinion in the Annual Financial Report, LSL issued two letters and an Appropriations Limit Worksheet. As covered in the attached Internal Control Letter, LSL found that the City has no internal control deficiencies or compliance issues.

Budget (or Fiscal) Impact

There is no impact.

Attachments

1. Annual Financial Report **Pg. 45**
2. Certified Public Accountants Audit Communication Letter (Dated 12/21/2016) **Pg. 105**
3. Certified Public Accountants Report on Internal Controls **Pg. 109**
4. Certified Public Accountants Report on Appropriations Limit Worksheet **Pg. 111**



***CITY OF CANYON LAKE,
CALIFORNIA***

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

**CITY OF CANYON LAKE,
CALIFORNIA**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

City of Canyon Lake
Annual Financial Report
June 30, 2016
Table of Contents

	Page
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	18
Notes to the Basic Financial Statements	19 – 42
Required Supplementary Information	
Budgetary Comparison Schedule	
General Fund	43
Gas Tax Special Revenue Fund	44
Schedule of Proportionate Share of the Net Pension Liability	45
Schedule of Plan Contributions	46
Supplementary Schedules	
Nonmajor Governmental Funds	47
Combining Balance Sheet	48 – 49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	50 – 51
Agency Fund	52
Statement of Changes in Fiduciary Assets and Liabilities	53

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California (the City), as of and for the year ended June 30, 2016, 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.

Auditors' 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 Canyon Lake, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California, as of June 30, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining 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 nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 Canyon Lake, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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.

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

Brea California
December 21, 2016

Management's Discussion and Analysis

As management of the City of Canyon Lake, California (City), we are pleased to offer to the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the end of fiscal year 2016 by \$12,812,907. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is referred to as net position.
- The City's total net position increased by \$884,780 during fiscal year 2015-2016.
- As of June 30, 2016, the City's governmental funds reported combined fund balances of \$5,116,460, an increase of \$1,249,792 from the prior fiscal year, and \$3,382,765 of the governmental funds' fund balances are assigned and unassigned.
- As of June 30, 2016, assigned and unassigned fund balances for the General Fund was \$3,382,765 or 92.3 percent of total General Fund expenditures.
- The City's total debt decreased by \$133,266 during the fiscal year as a result of the principal payments paid on the Riverside County Transportation Commission and Riverside County loans. The unfunded pension liability of \$228,126 is included in these financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Canyon Lake's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

Government-wide financial statements include a statement of net position and a statement of activities. The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

The *statement of activities* provides information showing how the City's net position changed during the most recent fiscal year. These changes are reported using the full accrual basis of accounting that is when the economic event occurs, rather than when cash is received or paid. Under this basis of accounting, revenues and expenses are reported in the statement for some items that will only result in future cash inflows or outflows such as vacation earned but not paid and uncollected taxes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, economic development, building and planning, animal control, and public works. The City does not have any business-type activities.

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. 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.

The City maintains seven individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and Capital Projects Fund in order to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14 - 17 of this report.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the basic financial statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 - 42 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI), as listed on the Table of Contents and which can be found on pages 43 - 46.

Combining statements for nonmajor governmental funds are presented immediately following the required supplementary information and can be found on pages 48 - 51 of this report.

Government-wide financial analysis

As noted earlier, net position may, over time, serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2016, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$12,812,907 as summarized below:

Statement of Net position

	Governmental Activities	
	2016	2015
Assets:		
Current and other assets	\$ 5,679,369	\$ 5,895,905
Capital assets (net of depreciation)	8,453,642	8,981,235
Total assets	<u>14,133,011</u>	<u>14,877,140</u>
Deferred outflows of resources:		
Pension related items	<u>29,984</u>	<u>22,545</u>
Liabilities:		
Current and other liabilities	704,357	2,164,492
Long-term liabilities	568,181	712,870
Total liabilities	<u>1,272,538</u>	<u>2,877,362</u>
Deferred inflows of resources:		
Pension related items	<u>77,550</u>	<u>94,196</u>
Net position:		
Net investment in capital assets	7,975,216	8,368,642
Restricted	1,732,224	1,534,087
Unrestricted	3,105,467	2,025,398
Total net position	<u>\$ 12,812,907</u>	<u>\$ 11,928,127</u>

The City's net position only include infrastructure assets such as roads, streets, lighting systems, drainage systems, bridges, etc. that were added in the fiscal years ending June 30, 2004 through 2016. Historically, the City has not recorded these assets. Under GASB 34, the City has elected not to retroactively include the value of major infrastructure assets in the statement of net position.

Excluding the unknown value of infrastructure assets, net investment in capital assets represents 62.24 percent of the City's net position. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position, \$1,732,224 or 13.52 percent, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net position), is \$3,105,467.

Statement of Activities: The statement of activities shows how the City's net position changed during the fiscal years 2015-16 and 2014-15. Provided below is a summary of changes in net position.

Statement of Changes in Net position

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charges for services	\$ 294,971	\$ 262,802
Operating grants and contributions	559,227	758,202
Capital grants and contributions	-	-
General revenues	<u>4,413,233</u>	<u>3,439,629</u>
Total revenues	<u>5,267,431</u>	<u>4,460,633</u>
Expenses:		
General government	772,474	975,211
Public safety	2,691,880	3,010,785
Public works	757,914	649,656
Community development	157,550	211,591
Interest on long-term debt	2,833	3,568
Total expenses	<u>4,382,651</u>	<u>4,850,811</u>
Change in net position	884,780	(390,178)
Net position - beginning, as restated	<u>11,928,127</u>	<u>12,318,305</u>
Net position - ending	<u>\$ 12,812,907</u>	<u>\$ 11,928,127</u>

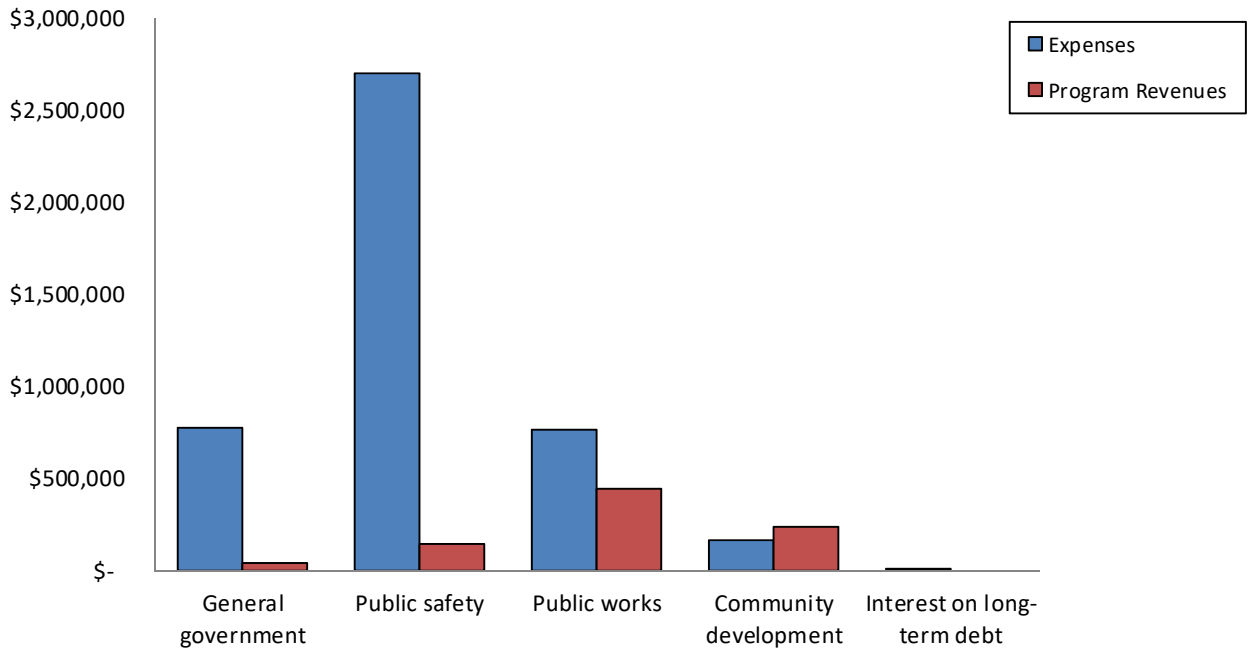
The City's net position increased overall by \$884,780 during the current fiscal year. The reason for the increase is explained in the governmental activities discussion below.

Governmental activities: Net position from governmental activities assets increased by \$884,780. Key elements of the increase are as follows:

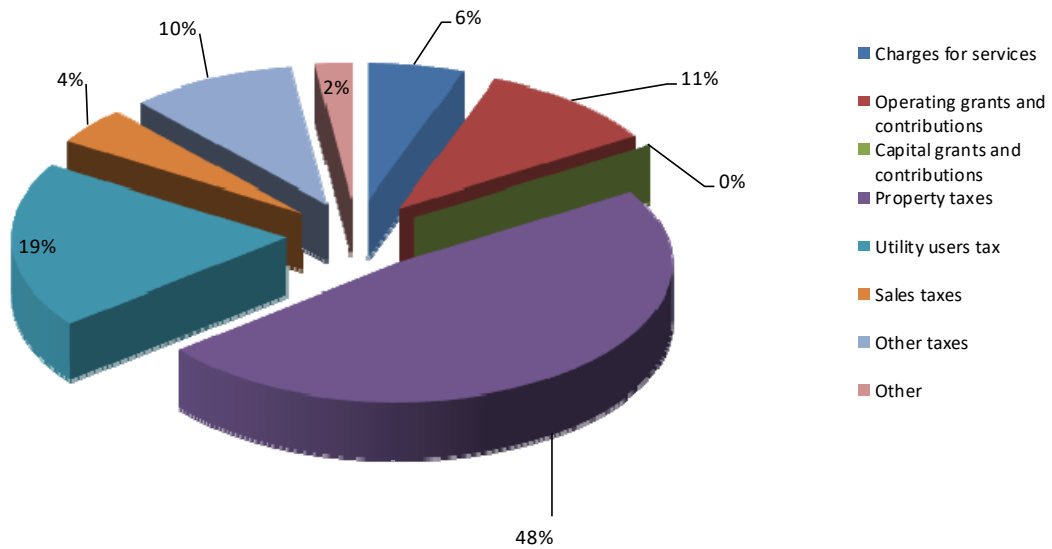
- Increases in property taxes, sales tax and utility users tax of \$923,100, fiscal year 2015-16 is the first full year for the utility users tax.
- Decrease in fire protection costs of \$412,919 due to the timing of the contract for fire services.

The charts below provide graphic representation of the City's expenses compared to program revenues by function and its revenue by source.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



The governmental activities expenses and program revenues chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to each function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are therefore used to support program activities citywide. Regarding the revenues by source chart, it shows that 48 percent of governmental activities revenues came from property tax revenue.

Financial Analysis of City's Funds

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

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Please refer to pages 14 - 17 for more detail on governmental funds.

As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$5,116,460, an increase of \$1,249,792 in comparison with the prior year. Of the \$5,116,460, \$3,382,765 or 66.12 percent constitutes assigned and unassigned fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending or constraints are placed on the use of resources, respectively. The increase in governmental fund balance is due to an increase in the fund balance of the General Fund of \$1,051,655 as a result of increased public safety costs for police protection, offset by increases in property taxes of \$107,833, sales tax of \$40,936 and utility users tax of \$774,331 (first full fiscal years receipts after adoption) and a decrease in fire protection costs of \$412,919. The increase is also due to an increase in the fund balance of the Gas Tax Major Governmental Fund of \$134,455, due to revenues exceeding expenditures.

General Fund Financial and Budgetary Highlights

The General Fund is the chief operating fund of the City. At June 30, 2016, assigned and unassigned fund balance was \$3,382,765. As a measure of the General Fund's financial condition, it may be useful to compare the unassigned fund balance to total expenditures. Assigned and unassigned fund balances represent 92.35 percent of General Fund expenditures. For the fiscal year, the General Fund's fund balance increased \$1,051,655 from the prior year. The differences between the General Fund budget and actual are summarized below:

- General Fund actual revenues were above budget by \$217,588 mainly due to higher than anticipated property taxes, utility users tax and building permit revenues.
- Actual expenditures were \$638,328 less than the final budgeted amount of \$4,301,461, with General Government being more due to higher than anticipated legal costs, and Public Works being more than anticipated due to contracting with a new public works firm and the catch up deferred maintenance projects, which is offset by Public Safety costs being less than anticipated due to fire protection services being less than budgeted.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental type activities as of June 30, 2016, amounted to \$8,453,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery/vehicles and infrastructure assets. During the year, no capital assets were added for the governmental activities; however, several vehicles were declared surplus and disposed of.

Capital assets events during the current fiscal year included the following:

- Purchase of an air conditioner condenser for \$3,200.
- Construction of a wrought iron fence for \$4,480.

Additional information on the City's capital assets can be found on page 30 in the notes to the basic financial statements and a summary is provided below.

City of Canyon Lake Capital Assets (net of depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 130,000	\$ 130,000
Building and improvements	472,612	494,634
Machinery, equipment and vehicles	52,548	62,027
Infrastructure	7,798,482	8,294,574
Total	<u>\$ 8,453,642</u>	<u>\$ 8,981,235</u>

Long-term debt: At the end of fiscal year 2016, the City's total long-term debt outstanding was \$481,503. This amount was comprised of \$211,184 in loans from Riverside County which are secured by several different sources of revenues, \$267,242 in loans from RCTC which are secured by Measure A revenues, and \$3,077 in compensated absences.

Outstanding long-term debt of the City is summarized below, and additional information can be found on pages 31 - 32 in the notes to basic financial statements.

City of Canyon Lake Outstanding Long-Term Debt

	Governmental Activities	
	2016	2015
Compensated absences	\$ 3,077	\$ 2,176
Loan payable County of Riverside	211,184	264,184
Loan payable RCTC	267,242	348,409
Total long-term debt	<u>\$ 481,503</u>	<u>\$ 614,769</u>

Pension Plan Obligations

The City implemented GASB Statement 68 during the prior fiscal year which resulted in an ending net pension liability of \$233,356 at June 30, 2015 and \$228,126 at June 30, 2016. Additional information can be found on pages 33-40 in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for fiscal year 2016-17, management was conservative in its projections for revenues and budgeted increases in public safety costs as dictated by the police and fire contracts.

The Operating Budget for fiscal year 2016-17 anticipates having a surplus of \$168,478 for the General Fund.

- Anticipated General Fund Revenues of \$4,581,900, an increase of \$84,700 from the previous year due projected increases in property taxes and utility users tax.
- Proposed General Fund Expenditures of \$4,413,422, an increase of \$111,961 over the previous year, due increased costs in public safety for police protection, increase public works costs and a full time City Manager.

Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the annual budget preparation, can be obtained from the City's 2016-17 Budget which is available at City Hall.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the City Clerk, City of Canyon Lake, 31516 Railroad Canyon Road, Canyon Lake, California 92587, or call (951) 244-2955.

**City of Canyon Lake
Statement of Net Position
June 30, 2016**

ASSETS

Cash and investments	\$ 5,310,044
Receivables:	
Accounts	162,143
Interest	7,876
Intergovernmental	197,835
Prepaid items	1,471
Capital assets, net of accumulated depreciation	<u>8,453,642</u>
Total assets	<u>14,133,011</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	<u>29,984</u>
-----------------------	---------------

LIABILITIES

Accounts payable	562,909
Noncurrent liabilities:	
Due within one year	141,448
Due in more than one year	340,055
Net pension liability	<u>228,126</u>
Total liabilities	<u>1,272,538</u>

DEFERRED INFLOWS OF RESOURCES

Pension related items	<u>77,550</u>
-----------------------	---------------

NET POSITION

Net investment in capital assets	7,975,216
Restricted:	
Public works	1,670,539
Public safety	40,012
Equipment	21,673
Unrestricted	<u>3,105,467</u>
Total net position	<u>\$ 12,812,907</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Activities
For the Year Ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 772,474	\$ 40,474	\$ -	\$ -	\$ (732,000)
Public safety	2,691,880	20,470	121,202	-	(2,550,208)
Public works	757,914	-	438,025	-	(319,889)
Community development	157,550	234,027	-	-	76,477
Interest on long-term debt	2,833	-	-	-	(2,833)
Total governmental activities	\$ 4,382,651	\$ 294,971	\$ 559,227	\$ -	(3,528,453)
General revenues:					
Taxes:					
Property tax, levied for general purpose					2,533,563
Utility users tax					1,024,814
Transient occupancy tax					61,060
Franchise tax					326,536
Sales tax					234,033
Other taxes					122,607
Use of money and property					44,351
Other					66,269
Total general revenues					4,413,233
Change in net position					884,780
Net position, beginning of year					11,928,127
Net position, end of year					\$ 12,812,907

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Balance Sheet
Governmental Funds
June 30, 2016**

	General	Special Revenue Gas Tax Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,604,378	\$ 883,550	\$ 822,116	\$ 5,310,044
Receivables:				
Accounts	162,143	-	-	162,143
Interest	7,876	-	-	7,876
Intergovernmental	164,441	-	33,394	197,835
Prepaid items	1,471	-	-	1,471
	<u>\$ 3,940,309</u>	<u>\$ 883,550</u>	<u>\$ 855,510</u>	<u>\$ 5,679,369</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 556,073	\$ 6,836	\$ -	\$ 562,909
	<u>556,073</u>	<u>6,836</u>	<u>-</u>	<u>562,909</u>
Fund Balances:				
Nonspendable	1,471	-	-	1,471
Restricted	-	876,714	855,510	1,732,224
Assigned	75,000	-	-	75,000
Unassigned	3,307,765	-	-	3,307,765
	<u>3,384,236</u>	<u>876,714</u>	<u>855,510</u>	<u>5,116,460</u>
Total liabilities and fund balances	<u>\$ 3,940,309</u>	<u>\$ 883,550</u>	<u>\$ 855,510</u>	<u>\$ 5,679,369</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2016**

Fund balances of governmental funds		\$ 5,116,460
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.		8,453,642
Deferred outflow of resources relate to:		
Pension contributions made after the measurement date		28,593
Adjustment due to differences in proportions		1,391
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position.		
Balances at June 30, are:		
Compensated absences	\$ (3,077)	
Loan payable - County of Riverside	(211,184)	
Loan payable- RCTC	(267,242)	
Net pension liability	<u>(228,126)</u>	(709,629)
Deferred inflows of resources relate to:		
Net difference between projected and actual earnings pension plan investments		(6,597)
Changes of assumptions		(13,160)
Change in employer's proportion		(31,645)
Difference between contribution and proportionate share of contribution		<u>(26,148)</u>
Net position of governmental activities		<u><u>\$ 12,812,907</u></u>

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Special Revenue Gas Tax Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,246,478	\$ -	\$ -	\$ 4,246,478
Licenses and permits	308,535	-	-	308,535
Fines and forfeitures	20,470	-	-	20,470
Intergovernmental	10,982	241,643	296,506	549,131
Use of money and property	84,825	10,218	4,276	99,319
Other	43,498	-	-	43,498
	<u>4,714,788</u>	<u>251,861</u>	<u>300,782</u>	<u>5,267,431</u>
EXPENDITURES				
Current:				
General government	779,622	-	-	779,622
Public safety	2,585,922	-	100,100	2,686,022
Public works	132,359	117,406	-	249,765
Community development	157,550	-	-	157,550
Capital outlay	7,680	-	-	7,680
Debt service:				
Principal	-	-	134,167	134,167
Interest and fiscal charges	-	-	2,833	2,833
	<u>3,663,133</u>	<u>117,406</u>	<u>237,100</u>	<u>4,017,639</u>
Net change in fund balances	1,051,655	134,455	63,682	1,249,792
Fund balances, beginning of year	<u>2,332,581</u>	<u>742,259</u>	<u>791,828</u>	<u>3,866,668</u>
Fund balances, end of year	<u>\$ 3,384,236</u>	<u>\$ 876,714</u>	<u>\$ 855,510</u>	<u>\$ 5,116,460</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016**

Net change in fund balances - total governmental funds \$ 1,249,792

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

Governmental funds report capital outlays as expenditures. However, in 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 capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	7,680
Depreciation expense	(535,273)

Governmental funds report principal payments as expenditures. In the statement of activities, principal payments are applied to the appropriate long-term liability.

134,167

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Pension related net of adjustments	29,315
Increase in compensated absences payable	(901)

Change in net position of governmental activities \$ 884,780

City of Canyon Lake
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Due from other governments	<u>\$ 37,145</u>
Total assets	<u><u>\$ 37,145</u></u>
LIABILITIES	
Deposits	<u>\$ 37,145</u>
Total liabilities	<u><u>\$ 37,145</u></u>

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the reporting entity

The City of Canyon Lake was incorporated on December 1, 1990 under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a council-manager form of government and currently provides a wide variety of services to its citizens, including public safety, public services, community development, general administrative and other services.

There are no separate legal entities over which the City is financially accountable for.

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, 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. The City does not have any proprietary funds.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenue 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 not accounted and reported in another fund.

The *Gas Tax Fund* accounts for the repair and maintenance of streets and traffic signals of the City.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects.

The *Capital Projects Fund* accounts for city-wide capital improvement projects.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

The *Agency Fund* is 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.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

Other Accounting Policies

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The City's policy is to hold investments until maturity or until market values equal or exceed cost. The State Treasurers Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the Pool is the same as the fair value of the Pool shares.

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."

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

Property taxes

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

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

Prepaid costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the purchases method.

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 \$1,000 (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 assets or materially extend the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	39
Building improvements	10
Infrastructure	20 - 50
Vehicles	5 - 10
Office equipment	5 - 10
Computer equipment	5

Use of estimates

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

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

Compensated absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination.

The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. 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.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Pension Plan

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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

Fund equity

Beginning with fiscal year 2011, 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 of action to remove or change the constraint.

 Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

 Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council may establish (and modify or rescind) fund balance commitments by passage of an ordinance or resolution.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being reduced 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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

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

Implementation of new GASB pronouncements

Implementation of new pronouncement

GASB has issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Budgetary Information

The City prepares its budgets on the basis of estimated actual expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis consistent with generally accepted accounting principles.

Each year, the City Manager submits a proposed budget to the City Council during May. The City Council holds budget hearings during May and June. The final budget is adopted by the City Council in June.

No budget expenditures can be disbursed without proper appropriations. Once the budget is adopted, no additional funds can be authorized without the City Council's approval. The level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the individual fund level. The City Manager can authorize budget transfers between departments without additional appropriations.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 2: Budgetary Information (continued)

Throughout the year, budgeted expenditures are reviewed and projections are made by the City Manager. Therefore, any necessary changes are submitted for approval to the City Council with a recorded action for any budget adjustments.

Formal budgetary integration is employed as a management control device during the year for all the governmental type funds. Budgets for all the governmental type funds are adopted on a basis consistent with generally accepted accounting principles, except for the Capital Projects Fund which does not have a legally adopted budget. Budgeted amounts are as originally adopted and are further amended by the City Council.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net position	
Cash and investments	<u>\$ 5,310,044</u>
Total cash and investments	<u><u>\$ 5,310,044</u></u>

Cash and Investments as of June 30, 2015 consists of the following:

Deposits with financial institutions	\$ 2,242,850
Cash on hand	300
Investments	<u>3,066,894</u>
Total cash and investments	<u><u>\$ 5,310,044</u></u>

The City follows the practice of pooling cash and investments of all funds except for funds held by a fiscal agent. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on cash balances. Interest income from cash and investments with a fiscal agent is credited directly to the related fund.

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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 3: 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 trustees 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U. S. Treasuries	5 years	None	None
Money Market Accounts	N/A	10%	5%
Certificates of Deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	50%	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	10%	5%
Commercial Paper	270 days	10%	10%
Medium-Term Notes	5 years	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	10%	None

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.

<u>Investment type</u>	<u>Total</u>	<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>
Local Agency Investment Fund	\$ 9,573	\$ 9,573	\$ -	\$ -
Money market sweep	309,428	309,428	-	-
Certificates of deposit	109,301	109,301	-	-
Negotiable certificates of deposit	416,292	-	-	416,292
Federal agency securities	1,067,853	167,689	-	900,164
Corporate debt securities	638,362	381,754	151,398	105,210
Money market	516,085	516,085	-	-
Totals	\$ 3,066,894	\$ 1,493,830	\$ 151,398	\$ 1,421,666

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 3: Cash and Investments (continued)

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.

Investment type	Total	Minimum legal rating	Ratings as of year end
Local Agency Investment Fund	\$ 9,573	N/A	Not rated
Money market sweep	309,428	N/A	Not rated
Certificates of deposit	109,301	N/A	Not rated
Negotiable certificates of deposit	416,292	N/A	Not rated
Federal agency securities	1,067,853	AA-a2	AA+
Corporate debt securities	638,362	A	AA+ A
Money market	516,085	N/A	Not rated
	<u>\$ 3,066,894</u>		
Totals	<u>\$ 3,066,894</u>		

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer (other than Mutual Funds and External Investment Pools) that represent 5% or more of the City's investments are as follows:

Issuer	Investment Type	Reported Amounts
Federal Home Loan Bank	Federal agency securities	\$ 441,685
GE Capital Corp	Corporate debt securities	181,560
Federal Farm Credit Bank	Federal agency securities	175,116
Caterpillar Fin Services Corp	Corporate debt securities	200,194
Freddie Mac	Federal agency securities	300,193

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 3: Cash and Investments (continued)

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, 2016, the City had deposits of \$2,512,659 with financial institutions in excess of federal depository insurance limits that were held in collateralized accounts.

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, 2016, the carrying amount (at amortized cost) of the Pool was \$75,395,751,048 and the estimated fair value of the pool was \$75,442,588,513. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2016, was \$9,573. 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 issued by federal agencies, government-sponsored enterprises, and corporations.

Fair Value Measurement

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

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 3: Cash and Investments (continued)

The City has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable certificates of deposit	\$ 416,292	\$ -	\$ 416,292	\$ -
Federal agency securities	1,067,853	-	1,067,853	-
Corporate debt securities	638,362	-	638,362	-
Local Agency Investment Fund	9,573	-	9,573	-
Certificates of deposit	109,301	109,301	-	-
Money market sweep	309,428	309,428	-	-
Money Market	516,085	-	516,085	-
	<u>\$ 3,066,894</u>	<u>\$ 418,729</u>	<u>\$ 2,648,165</u>	<u>\$ -</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Total capital assets, not being depreciated	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Capital assets, being depreciated:				
Buildings	735,150	-	-	735,150
Machinery & equipment	273,290	3,200	-	276,490
Vehicles	141,722	-	-	141,722
Infrastructure	9,961,648	4,480	-	9,966,128
Total capital assets, being depreciated	<u>11,111,810</u>	<u>7,680</u>	<u>-</u>	<u>11,119,490</u>
Less accumulated depreciation for:				
Buildings	(240,516)	(22,022)	-	(262,538)
Machinery & equipment	(227,228)	(12,679)	-	(239,907)
Vehicles	(125,757)	-	-	(125,757)
Infrastructure	(1,667,074)	(500,572)	-	(2,167,646)
Total accumulated depreciation	<u>(2,260,575)</u>	<u>(535,273)</u>	<u>-</u>	<u>(2,795,848)</u>
Total capital assets, being depreciated, net	<u>8,851,235</u>	<u>(527,593)</u>	<u>-</u>	<u>8,323,642</u>
Governmental activities capital assets, net	<u>\$ 8,981,235</u>	<u>\$ (527,593)</u>	<u>\$ -</u>	<u>\$ 8,453,642</u>

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 4: Capital Assets (continued)

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

Governmental activities:	
General government	\$ 21,266
Public safety	5,858
Public works	<u>508,149</u>
Total depreciation expense - governmental activities	<u><u>\$ 535,273</u></u>

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan Payable - County of Riverside	\$ 264,184	\$ -	\$ 53,000	\$ 211,184	\$ 58,000
RCTC Loan	348,409	-	81,167	267,242	81,909
Compensated Absences	<u>2,176</u>	<u>9,243</u>	<u>8,342</u>	<u>3,077</u>	<u>1,539</u>
Governmental activities long-term liabilities	<u><u>\$ 614,769</u></u>	<u><u>\$ 9,243</u></u>	<u><u>\$ 142,509</u></u>	<u><u>\$ 481,503</u></u>	<u><u>\$ 141,448</u></u>

Loan Payable - County of Riverside

In June 2003, the City entered into an agreement with the County of Riverside (the County) to obtain a loan for \$1,000,000 to finance the costs of structural repairs to Railroad Canyon Road. The loan is interest free. The loan did not have a set debt service schedule and was due within ten (10) years of the agreement and no later than June 30, 2013. The agreement was amended subsequent to June 30, 2013 and is now due within seven years, and has a set schedule of repayment, and is due no later than October 15, 2019. The City has pledged all of its Proposition 12 and 40 park bond funds, Community Development Block Grant funds, and commencing in fiscal year 2010-2011 Measure A and/or Proposition 42 funds for repayment of the debt. The principal balance as of June 30, 2016 is \$211,184.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 5: Long-Term Liabilities (continued)

Loan Payable - County of Riverside (continued)

The annual requirements to amortize the outstanding County of Riverside Loan payable as of June 30, 2016 are as follows:

Year Ending June 30,	Loan County of Riverside Principal
2017	\$ 58,000
2018	63,000
2019	63,000
2020	27,184
Total	\$ 211,184

Loan Payable – Riverside County Transportation Commission

In January 2013, the City entered into an agreement with the Riverside County Transportation Commission (RCTC) to obtain a loan for \$557,000 of Measure A Funds to finance construction costs for Railroad Canyon Road. The Loan bears interest at the rate of .91% per annum. Principal and interest are payable in monthly installments of \$7,000 commencing on January 18, 2013, until paid in full on December 18, 2019. The City has pledged its future Measure A revenues for the repayment of the Loan. The principal balance as of June 30, 2016 is \$267,242.

The annual requirements to amortize the outstanding RCTC Loan payable as of June 30, 2016 are as follows:

Year Ending June 30,	RCTC Loan Payable	
	Principal	Interest
2017	\$ 81,909	\$ 2,091
2018	82,658	1,342
2019	83,413	587
2020	19,262	28
Total	\$ 267,242	\$ 4,048

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 6: Operating Lease

The City leases equipment under a noncancelable operating lease. Total costs for the lease was \$5,708 for the fiscal year ended June 30, 2016. The future minimum annual lease payments for the lease are as follows:

Year Ending June 30,	Total
2017	4,122
	\$ 4,122

Note 7: Retirement Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pools. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous risk pool. The City sponsors two rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website.

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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013 *	On or after January 1, 2013
Hire date		
Benefit formula	2 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.003%	8.003%

*Plan is closed to new entrants.

Contributions

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 CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. For the year fiscal year ended June 30, 2016, the contributions recognized as a reduction to the net pension liability for all Plans was \$21,700.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

B. Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous
Valuation Date	6/30/2014
Measurement Date	6/30/2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.30% to 14.20%
Investment Rate of Return (2)	7.65%
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) Annual increases vary by category, entry age, and duration of service

(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.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability for measurement date June 30, 2015 was 7.65 percent. The discount rate used to measure the total pension liability in the previous year 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 on the testing of the plan, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in 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 following table 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

B. Net Pension Liability (continued)

Discount Rate (continued)

Asset Class	Allocation	Years 1 - 10 ¹	Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

Miscellaneous Plan:

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 1,304,176	\$ 1,070,820	\$ 233,356
Balance at: 6/30/2015 (MD)	\$ 1,329,715	\$ 1,101,589	\$ 228,126
Net Changes during 2014-15	\$ 25,539	\$ 30,769	\$ (5,230)

Valuation Date (VD), Measurement Date (MD).

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportionate Share - June 30, 2014	0.00944%
Proportionate Share - June 30, 2015	0.00832%
Change - Increase (Decrease)	-0.00112%

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 of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan's Net Pension Liability	\$ 409,216	\$ 228,126	\$ 78,616

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 7: Retirement Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2014), the net pension liability for the plan was \$233,356. For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense/(income) of \$(722) for the Plan.

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,391	\$ -
Changes of Assumptions	-	(13,160)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(6,597)
Change in Employer's Proportion	-	(31,645)
Difference in Actual vs. Projected Contributions		(26,148)
Pension Contributions Subsequent to Measurement Date	28,593	-
Total	\$ 29,984	\$ (77,550)

These amounts above are net of outflows and inflow recognized in the 2014-15 measurement period expense. \$28,593 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ (32,852)
2018	(31,827)
2019	(23,392)
2020	11,912

E. Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 8: Risk Management

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies: twenty-two cities, three transit agencies and six special districts. The City participates in the liability, employment practices liability, property, auto physical damage, and crime insurance programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a \$0 self-insured retention for this coverage and participates in risk sharing pools for losses up to \$1 million, followed by PERMA's membership in the CSAC Excess Insurance Authority (EIA) for \$49 million of excess liability coverage.

The employment practices liability program provides up to \$1 million per occurrence. The City has selected a \$25,000 self-insured retention for this coverage. Coverage above \$25,000 is with Employment Risk Management Authority (ERMA) to a limit of \$1,000,000, followed by PERMA's membership in CSAC-EIA for \$49 million of excess employment practices liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

The auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Auto physical damage coverage is written on an agreed amount basis.

The crime insurance program provides public employee dishonesty, forgery or alteration, and computer fraud coverage under a master insurance policy.

The City is insured with the State Compensation Insurance Fund for workers' compensation claims. There is no deductible requirement for this coverage.

The amount of the settlements has not exceeded the above coverage for the past three fiscal years.

Note 9: Commitments and Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial position.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2016

Note 10: Fund Equity

The City has established certain fund balance designations to report the amounts in the following funds, which represent available spendable resources which are restricted, committed or assigned for a specific purpose:

	General Fund	Major Fund Gas Tax Fund	Non-Major Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 1,471	\$ -	\$ -	\$ 1,471
Restricted for:				
Public works	-	876,714	793,825	1,670,539
Public safety	-	-	40,012	40,012
Equipment	-	-	21,673	21,673
Assigned to:				
Self-insured retention	15,000	-	-	15,000
Litigation	25,000	-	-	25,000
Equipment replacement	35,000	-	-	35,000
Unassigned:	3,307,765	-	-	3,307,765
	<u>\$ 3,384,236</u>	<u>\$ 876,714</u>	<u>\$ 855,510</u>	<u>\$ 5,116,460</u>

Note 11: Jointly Governed Organization

The City, in conjunction with 4 other governmental entities, created the Southwest Communities Financing Authority (Authority) on November 30, 2004. The Authority was formed to issue bonds for the construction of an animal shelter to be used by the member agencies. The Authority's board is comprised of one member from each participating entity. The City has the following fiscal obligations: debt repayment of bonds issued, administrative costs and operation of the animal shelter. The debt service payments and the animal shelter operating costs will be prorated to each member based on the percentage of the animals housed at the facility, on an annual basis. The administrative costs will be borne equally by all members. The City incurred costs of \$122,372 for the fiscal year ended June 30, 2016, which included \$58,596 in interest on the bonds issued. To obtain the financial statements for the Authority please contact the Authority at 33751 Mission Trail, Wildomar, CA 92595.

REQUIRED SUPPLEMENTARY INFORMATION

This page left intentionally blank.

City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 20162016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,931,500	\$ 4,094,700	\$ 4,246,478	\$ 151,778
Licenses and permits	277,000	277,000	308,535	31,535
Fines and forfeitures	15,000	15,000	20,470	5,470
Intergovernmental	2,000	2,000	10,982	8,982
Use of money and property	64,500	64,500	84,825	20,325
Other	44,000	44,000	43,498	(502)
	4,334,000	4,497,200	4,714,788	217,588
EXPENDITURES				
Current:				
General government	747,443	763,443	779,622	(16,179)
Public safety	3,622,471	3,245,964	2,585,922	660,042
Public works	74,944	74,944	132,359	(57,415)
Community development	209,430	209,430	157,550	51,880
Capital outlay	7,680	7,680	7,680	-
	4,661,968	4,301,461	3,663,133	638,328
Net change in fund balance	(327,968)	195,739	1,051,655	855,916
Fund balance, beginning of year	2,332,581	2,332,581	2,332,581	-
Fund balance, end of year	\$ 2,004,613	\$ 2,528,320	\$ 3,384,236	\$ 855,916

City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 243,500	\$ 243,500	\$ 241,643	\$ (1,857)
Use of money and property	100	100	10,218	10,118
Total revenues	<u>243,600</u>	<u>243,600</u>	<u>251,861</u>	<u>8,261</u>
EXPENDITURES				
Current:				
Public works	<u>193,700</u>	<u>193,700</u>	<u>117,406</u>	<u>76,294</u>
Total expenditures	<u>193,700</u>	<u>193,700</u>	<u>117,406</u>	<u>76,294</u>
Net change in fund balance	49,900	49,900	134,455	84,555
Fund balance, beginning of year	<u>742,259</u>	<u>742,259</u>	<u>742,259</u>	<u>-</u>
Fund balance, end of year	<u>\$ 792,159</u>	<u>\$ 792,159</u>	<u>\$ 876,714</u>	<u>\$ 84,555</u>

**City of Canyon Lake
 Required Supplementary Information
 Schedule of the Local Government's Proportionate Share of the
 Plan's Net Pension Liability and Related Ratios as of the Measurement Date
 Last 10 Years*
 For the Year Ended June 30, 20162016**

	Measurement Date 6/30/2014	Measurement Date 6/30/2015
Employer's Proportion of the Collective Net Pension Liability ¹	0.00375%	0.00832%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 233,356	\$ 228,126
Employer's Covered Payroll ²	\$ 97,906	\$ 241,941
Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	238.35%	94.29%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	82.11%	82.84%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

² Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation, therefore, only two years are presented.

**City of Canyon Lake
Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*
For the Year Ended June 30, 20162016**

	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Contribution	\$ 21,700	\$ 28,593
Contributions in Relation to the Actuarially Determined Contribution	(21,700)	(28,593)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ¹	\$ 241,941	\$ 257,514
Contributions as a Percentage of Covered Payroll ¹	8.97%	11.10%

¹ Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent to correct for an adjustment to exclude administrative expenses.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Measure A – This fund is used to account for the construction, reconstruction, alteration, and maintenance of the streets of the City.

AQMD – This fund is used to account for the receipt of AB 2766 funds to implement programs that reduce air pollution from motor vehicles. Local Governments receive forty percent of the motor vehicle registration fee surcharge of \$4 per vehicle collected by the Department of Motor Vehicles.

Law Enforcement Grants – This fund is used to account for the *Supplemental Law Enforcement Grant* funds used for front line law enforcement services, and for the *California Law Enforcement Equipment Program* for the purchase of equipment to assist law enforcement to prevent and reduce crime.

Miscellaneous Grants – This fund is used to account for specific revenue resources that are restricted or committed to expenditure for specific purposes other than capital projects.

Capital Projects Fund

Capital Projects – This fund accounts for City-wide capital improvement projects.

**City of Canyon Lake
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 20162016**

	Special Revenue Funds			
	Measure A	AQMD	Law Enforcement Grants	Miscellaneous Grants
ASSETS				
Cash and investments	\$ 283,246	\$ 96,914	\$ 23,346	\$ 21,673
Receivables:				
Intergovernmental	12,999	3,729	16,666	-
Total assets	<u>\$ 296,245</u>	<u>\$ 100,643</u>	<u>\$ 40,012</u>	<u>\$ 21,673</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public works	296,245	100,643	-	-
Public safety	-	-	40,012	-
Equipment	-	-	-	21,673
Total fund balances	<u>296,245</u>	<u>100,643</u>	<u>40,012</u>	<u>21,673</u>
Total liabilities and fund balances	<u>\$ 296,245</u>	<u>\$ 100,643</u>	<u>\$ 40,012</u>	<u>\$ 21,673</u>

<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
Capital Projects	
\$ 396,937	\$ 822,116
<u>-</u>	<u>33,394</u>
<u>\$ 396,937</u>	<u>\$ 855,510</u>

<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>

396,937	793,825
-	40,012
<u>-</u>	<u>21,673</u>
<u>396,937</u>	<u>855,510</u>
<u>\$ 396,937</u>	<u>\$ 855,510</u>

City of Canyon Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			
	Measure A	AQMD	Law	Miscellaneous
			Enforcement Grants	Grants
REVENUES				
Intergovernmental	\$ 168,134	\$ 13,754	\$ 114,618	\$ -
Use of money and property	3,167	1,109	-	-
Total revenues	<u>171,301</u>	<u>14,863</u>	<u>114,618</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	-	-	100,100	-
Debt service:				
Principal	134,167	-	-	-
Interest and fiscal charges	2,833	-	-	-
Total expenditures	<u>137,000</u>	<u>-</u>	<u>100,100</u>	<u>-</u>
Net change in fund balances	34,301	14,863	14,518	-
Fund balances, beginning of year	<u>261,944</u>	<u>85,780</u>	<u>25,494</u>	<u>21,673</u>
Fund balances, end of year	<u>\$ 296,245</u>	<u>\$ 100,643</u>	<u>\$ 40,012</u>	<u>\$ 21,673</u>

Capital Projects Fund	Total Non-major Governmental Funds
\$ -	\$ 296,506
<u>-</u>	<u>4,276</u>
<u>-</u>	<u>300,782</u>
-	100,100
-	134,167
<u>-</u>	<u>2,833</u>
<u>-</u>	<u>237,100</u>
-	63,682
<u>396,937</u>	<u>791,828</u>
<u><u>\$ 396,937</u></u>	<u><u>\$ 855,510</u></u>

This page left intentionally blank.

AGENCY FUND

Agency Fund - To account for collections from citizens for solid waste services by the City on behalf of CR&R and payments made by the City to CR&R. To account for TUMF and MSHCP fees received from developers and builders and paid to WRCOG. To account for developer deposits received for various planning projects.

City of Canyon Lake
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2016

Agency Fund	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS				
Cash and investments	\$ 19,124	\$ 1,682,189	\$ 1,701,313	\$ -
Due from other governments	41,400	37,145	41,400	37,145
 Total assets	 <u>\$ 60,524</u>	 <u>\$ 1,719,334</u>	 <u>\$ 1,742,713</u>	 <u>\$ 37,145</u>
LIABILITIES				
Deposits	\$ 60,524	\$ 1,719,334	\$ 1,742,713	\$ 37,145
 Total liabilities	 <u>\$ 60,524</u>	 <u>\$ 1,719,334</u>	 <u>\$ 1,742,713</u>	 <u>\$ 37,145</u>

December 21, 2016

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California (the City) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. Statement of Governmental Accounting Standards (GASB Statement No. 72), Fair Value Measurement and application was implemented in fiscal year 2015-2016. This implementation is noted in Note 3, Cash and Investments, of the City's annual financial report.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of its net pension liability is based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the proportionate share of the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules for the general fund and gas tax fund, the schedule of proportionate share of the net pension liability, and the schedule of plan contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

New Auditing Standard No. 130

This new auditing standard is effective for financial periods ending on or after December 15, 2016; for most California municipalities it is effective for the period July 1, 2016 through June 30, 2017 and future periods thereafter. The standard allows CPA firms to issue an opinion on the financial statements conformity with generally accepted accounting principles, as well as an opinion on the operating effectiveness of internal controls over financial reporting through an integrated audit. This standard does not change the objectives of a financial statement audit, it only enhances the value and scope of a financial statement audit and increases the level of assurance provided by CPA firms on financial controls. Municipalities should look to perform an integrated audit for more assurance on the operating effectiveness of internal controls over financial reporting.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2015-2016 audit:

GASB Statement No. 72, *Fair Value Measurement and Application*.

GASB Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments*.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2016-2017

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*.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

GASB Statement No. 77, *Tax Abatement Disclosures*.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14*.

GASB Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73*.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Fiscal year 2017-2018

*GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits
Other Than Pensions.*

GASB Statement No. 81, Irrevocable Split Interest Agreements.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Canyon Lake, California and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Brea, California



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
December 21, 2016

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 (or other alternative computation) of the City of Canyon Lake, California (the City), for the year ended June 30, 2016. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Worksheet No. 6 (or other alternative computation).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheets No. 1 through No. 7 (or other alternative computations) and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet No. 6, we multiplied line A, last year's limit, by line D, ratio of change, and agreed the resulting amount to line E, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet No. 6 to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.



CPA^s AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6 (or other alternative computation). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled Article XIIB Appropriations Limitation Uniform Guidelines.

This report is intended solely for the information and use of the City Council and Management of the City of Canyon Lake, California, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Lance, Soll & Lughard, LLP

December 14, 2016

CITY OF CANYON LAKE
2015-2016
APPROPRIATIONS LIMIT CALCULATION

A. 2014-2015 APPROPRIATIONS LIMIT:	\$ 4,836,463	
B. 2015-2016 CHANGE IN PER CAPITA PERSONAL INCOME:		3.82%
C. 2015-2016 CHANGE IN POPULATION:		0.78%
D. RATIO OF CHANGE (1.0382 x 1.0078)	<u> </u> x 1.0463	
E. 2015-2016 APPROPRIATIONS LIMIT: (\$4,836,463 x 1.0463)	<u>\$ 5,060,391</u>	