



**REGULAR MEETING OF THE
CANYON LAKE CITY COUNCIL**

**Wednesday, February 7, 2018
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 – Pastor Emeritus Peter VanDyke of Canyon Lake Community Church**
Flag Salute
3. **Roll Call:** Council Members Bonner, Ehrenkranz, Haggerty, Mayor Pro Tem
Greene, Mayor Warren
4. **Approval of City Council Agenda**
5. **Special Presentations and Proclamations:**
 - 5.1 **Chamber of Commerce Announcements**
 - 5.2 **Student of the Month – Casey MacDonald **Page 5****
 - 5.3 **Recognition of Ryan Hosking and Jake Hosking for obtaining the rank of Eagle Scout in the Boy Scouts of America**
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 Adoption of Resolution No. 2018-03, Approving Claims and Demands of the City Page 7

7.3 City Council Meeting Minutes

7.3.1 January 10, 2018 **Page 21**

7.4 Approval of Resolution 2018-05, Changing the name and functions of the City Council Administration, Finance, and Planning Committee Page 31

7.5 Receive and File Quarterly Investment Report Page 37

7.6 Approve Lease Extension for Additional Library Space with John Regus Page 39

8. Pulled Consent Calendar Items

9. Schedule of Future Events:

9.1 Finance and Planning Committee Meeting
Tuesday, March 6, 2018 at 8:00 a.m., City Council Chambers

9.2 Public Safety Committee Meeting
Wednesday, March 6, 2018 at 9:30 a.m., City Council Chambers

9.3 Canyon Lake City Council Meeting
Wednesday, March 7, 2018 at 6:30 p.m., City Council Chambers

9.4 Water Committee Meeting
Thursday, March 20, 2018 at 9:00 a.m., City Council Chambers

9.5 Veterans Committee Meeting
TBD

10. Business Items

10.1 Review of Fiscal Year 2016-17 Audited Financial Statements Page 43

10.2 Review of the Fiscal Year 2017-2018 Mid-Year Budget Review and Projections, and Approval of Proposed Budget Adjustments Page 115

11. Public Hearing

11.1 Public Hearing and Adoption of Resolution No. 2018-06, Declaring 21734 Appaloosa Court to be a public nuisance and ordering and authorizing the City Staff to take the necessary steps to cause abatement of that nuisance **Page 123**

- a. Public Hearing Opened
- b. Staff Presentation
- c. Questions to Staff by City Council
- d. Testimony by Proponents
- e. Testimony by Opponents
- f. Rebuttal by Proponents
- g. Public Hearing Closed
- h. Discussion by City Council
- i. Action by City Council

12. City Manager Comments

13. Committee and Council Reports/Comments

- 13.1 Council Member Bonner
- 13.2 Council Member Ehrenkranz
- 13.3 Council Member Haggerty
- 13.4 Mayor Pro Tem Greene
- 13.5 Mayor Warren

14. Announcements

The next regular City Council meeting is scheduled for **Wednesday, March 7, 2018 at 6:30 p.m. for open session**

15. 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 Aaron Palmer, City Manager/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 7, 2017 Regular City Council Meeting

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

I, Victoria Day, being duly sworn, depose and say that I am the duly appointed and qualified Senior Office Specialist of the City of Canyon Lake and that on February 1, 2018 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.

**Victoria Day
Senior Office Specialist**

Certificate of Recognition

Casey MacDonald

WHEREAS, the students of the month are nominated by their teachers, and a nomination is usually, but not necessarily, based on grades, character, leadership and activities; and

WHEREAS, Cooper has excelled in all these areas by:

- Receiving the Titan Award for character and sportsmanship while on the mountain biking team;
- Receiving the World History Award for having the highest grade in his Sophomore Year World History Class;
- Being named Scholastic Player of the Year for having the highest GPA of all football players during the season; and

WHEREAS, Cooper's hobbies are cooking and grilling, bow-fishing, golfing, playing airsoft, and watching the history and military channels; and

WHEREAS, Cooper has hopes to attend college at the United States Military Academy at West Point, Cal Poly San Luis Obispo, or the Colorado School of Mines; and

WHEREAS, Cooper hopes to major in Civil Engineering and serve in our Military.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Canyon Lake, do hereby extend our congratulations to Casey MacDonald on his accomplishments and wish him the very best in his future endeavors.

Dated this 7th day of February, 2018



Randall P. Bonner, Council Member

Vicki Warren, Mayor

Jordan Ehrenkranz, Council Member

Larry Greene, Mayor Pro Tem

Dawn Haggerty, Council Member

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

TO: Mayor and City Council
FROM: Lisa Casillas, Accountant
DATE: February 7, 2018
SUBJECT: List of Demands

Recommendation:

That the City Council adopts a resolution entitled: RESOLUTION NO. 2018-03

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 January 10, 2018.

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. 2018-03

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 7th, in the amount of \$1,063,572.30 as follows:

Payroll Earnings (Gross)	\$ 41,383.35	(2nd Half of December & 1st Half of January)
Payroll Taxes - Employer	1,672.68	(2nd Half of December & 1st Half of January)
On-line Retirement	3,610.01	(2nd Half of December & 1st Half of January)
On-line Health	134.09	(For the Month of January)
General	1,016,772.17	
TOTAL	<u>\$ 1,063,572.30</u>	

PASSED, APPROVED AND ADOPTED this 7th day of February 2018.

Mayor, Vicki Warren

ATTEST:

Aaron Palmer, City Clerk

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

I, Aaron Palmer, 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. 2018-03 adopted by the City Council of the City of Canyon Lake, California, at a regular meeting thereof, held on February 7, 2018, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Aaron Palmer, City Clerk

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
24026	1/10/2018	Air Force 1 Heating and Air, Inc.	Defrost & replace control board, Invoice Date 12/5/17	460.00	10	GENERAL
24026	1/10/2018	Air Force 1 Heating and Air, Inc.	Service Diagnostic,ran new low voltage wire to unit in attic	220.00	10	GENERAL
Total 24026	1/10/2018			680.00		
24027	1/10/2018	ANIMAL FRIENDS OF THE VALLEYS	Animal Control Services for October 2017	3,500.00	10	GENERAL
Total 24027	1/10/2018			3,500.00		
24028	1/10/2018	California Bulding Standards Commission	Permit Valuation Fee Report; Oct - Dec 2017	187.20	10	GENERAL
Total 24028	1/10/2018			187.20		
24029	1/10/2018	Charles Abbott Associates, Inc.	Building & Safety-Code Enforcement Software License-Dec '17	200.00	10	GENERAL
24029	1/10/2018	Charles Abbott Associates, Inc.	Building and Safety - Permit & Plan Review - December 2017	10,265.15	10	GENERAL
24029	1/10/2018	Charles Abbott Associates, Inc.	Engineering Services for December 2017	2,497.50	10	GENERAL
Total 24029	1/10/2018			12,962.65		
24030	1/10/2018	Corelogic Information Solutions, INC.	Database for Code Enforcement, December 2017	135.00	10	GENERAL
Total 24030	1/10/2018			135.00		
24031	1/10/2018	Cota, Cole and Huber, LLP	Attorney Services for December 2017	3,154.50	10	GENERAL
Total 24031	1/10/2018			3,154.50		

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
24032	1/10/2018	CR&R	Waste and Recycling Services - Recycling Bin; January 2018	30.18	10	GENERAL
Total 24032	1/10/2018			30.18		
24033	1/10/2018	CTAI Pacific Greenscape	Landscape Maintenance for Fire Station - December 2017	250.00	10	GENERAL
24033	1/10/2018	CTAI Pacific Greenscape	Landscape Maintenance for Median & Parkways - December 2017	5,000.00	20	GAS TAX
Total 24033	1/10/2018			5,250.00		
24034	1/10/2018	DATA TICKET	Monthly Code Enforcement; November 2017	100.00	10	GENERAL
24034	1/10/2018	DATA TICKET	Monthly Parking Citations, November 2017	100.00	10	GENERAL
Total 24034	1/10/2018			200.00		
24035	1/10/2018	DEPARTMENT OF CONSERVATION	State Report for Motion & Seismic Hazard Oct - Dec 2017	490.92	10	GENERAL
Total 24035	1/10/2018			490.92		
24036	1/10/2018	Division of the State Architect	Disability Access & Education Fee Report; July - Sept 2017	15.00	10	GENERAL
Total 24036	1/10/2018			15.00		
24037	1/10/2018	Eagle Graphic Creations, Inc.	2017 Veterans Day Recognition - Thick Acrylic Crescent Award	646.50	10	GENERAL
24037	1/10/2018	Eagle Graphic Creations, Inc.	Laminate Plaque with engraved plate, Invoice Date 1/3/18	93.74	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Numbr...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 24037	1/10/2018			740.24		
24038	1/10/2018	GOLDING PUBLICATIONS	Business Cards for Vicki Day; Invoice Date 1/4/18	37.71	10	GENERAL
Total 24038	1/10/2018			37.71		
24039	1/10/2018	Ariel Hall	Consulting Services for 11/27/17 - 1/9/18	1,380.00	10	GENERAL
Total 24039	1/10/2018			1,380.00		
24040	1/10/2018	Jani-King of CA, Inc.	Janitorial Services for January 2018	720.37	10	GENERAL
Total 24040	1/10/2018			720.37		
24041	1/10/2018	Jason Phillips	Refund Plot Plan Deposit for 30741 Early Round Drive, 2/8/17	1,000.00	10	GENERAL
Total 24041	1/10/2018			1,000.00		
24042	1/10/2018	Lawler's Triple L Towing	Vehicle Towed on Vacation Drive, 12/21/17	484.00	10	GENERAL
Total 24042	1/10/2018			484.00		
24043	1/10/2018	L.C.C - Riverside Division	Riverside Division Membership Dues; 2018	100.00	10	GENERAL
Total 24043	1/10/2018			100.00		
24044	1/10/2018	MR. WINDOW & CO.	Window Cleaning, Invoice Date 1/8/18	60.00	10	GENERAL
Total 24044	1/10/2018			60.00		

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
24045	1/10/2018	OTIS ELEVATOR COMPANY	Annual Service for Elevator; 1/1/18 - 12/31/18	4,539.09	10	GENERAL
Total 24045	1/10/2018			4,539.09		
24046	1/10/2018	Rancho Ready Mix Products, L.P.	Refund overpayment on business license for Rancho Ready Mix	1.00	10	GENERAL
Total 24046	1/10/2018			1.00		
24047	1/10/2018	Riverside County Service Authority	Refund over payment for AVA reports FY 16-17	6,853.49	10	GENERAL
Total 24047	1/10/2018			6,853.49		
24048	1/10/2018	RIV. CO. SHERIFF'S DEPT., Acctg & Fin	Sheriff's Contract Law Enforcement; 10/12/17 - 11/8/17	122,278.67	10	GENERAL
Total 24048	1/10/2018			122,278.67		
24049	1/10/2018	SOUTHERN CALIFORNIA EDISON	Electricity for Office Lease; 11/18/17 to 12/19/17	40.98	10	GENERAL
24049	1/10/2018	SOUTHERN CALIFORNIA EDISON	Electricity for traffic signals; 11/20/17 - 12/20/17	79.07	20	GAS TAX
24049	1/10/2018	SOUTHERN CALIFORNIA EDISON	Electricity for Traffic Signals; 11/29/17 to 12/28/17	359.29	20	GAS TAX
Total 24049	1/10/2018			479.34		
24050	1/10/2018	STAPLES	Office Supplies; Invoice Date: 12/16/17	60.22	10	GENERAL
Total 24050	1/10/2018			60.22		
24051	1/10/2018	Statewide Traffic Safety & Signs	Radar Sign on Railroad Canyon Road, Invoice Date 12/29/17	13,945.58	40	CAP. PROJ.

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 24051	1/10/2018			13,945.58		
24052	1/10/2018	Structural Termite/Pest Control	Monthly Pest Control; Dec - Jan 2018	73.50	10	GENERAL
Total 24052	1/10/2018			73.50		
24053	1/10/2018	TPx Communications	City Hall Phone System; 12/16/17 - 1/15/18	557.35	10	GENERAL
Total 24053	1/10/2018			557.35		
24054	1/10/2018	The Gas Company	Gas charges for 11/28/17 - 12/29/17	136.88	10	GENERAL
Total 24054	1/10/2018			136.88		
24055	1/10/2018	Toshiba Financial Services	Monthly Copier Lease; 12/15/17 - 1/15/18	690.23	10	GENERAL
Total 24055	1/10/2018			690.23		
24056	1/24/2018	Aflac	Supplemental Insurance January 2018	325.70	10	GENERAL
Total 24056	1/24/2018			325.70		
24057	1/24/2018	ANIMAL FRIENDS OF THE VALLEYS	Animal Control Services November 2017	3,500.00	10	GENERAL
Total 24057	1/24/2018			3,500.00		
24058	1/24/2018	Charles Abbott Associates, Inc.	Engineering Services December 2017	2,568.00	10	GENERAL
24058	1/24/2018	Charles Abbott Associates, Inc.	Environmental Services, December 2017	290.00	10	GENERAL
Total 24058	1/24/2018			2,858.00		

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
24059	1/24/2018	CANYON LAKE MERCHANT-S ASSOC.	2018 Assessments	4,672.00	10	GENERAL
Total 24059	1/24/2018			4,672.00		
24060	1/24/2018	DIRECTV	Satellite Service, Fire Station - 1/12/18-2/11/18	50.54	10	GENERAL
Total 24060	1/24/2018			50.54		
24061	1/24/2018	ELSINORE VALLEY MUNI WATER DIS	Water, Fire Detector 11/27/17-12/28/17	80.83	10	GENERAL
24061	1/24/2018	ELSINORE VALLEY MUNI WATER DIS	Water, Fire Station 11/29/17-12/29/17	157.12	10	GENERAL
24061	1/24/2018	ELSINORE VALLEY MUNI WATER DIS	Water, Irrigation 11/29/17-12/29/17	1,163.21	20	GAS TAX
Total 24061	1/24/2018			1,401.16		
24062	1/24/2018	Five Star Painting	Fire Station Exterior Painting - Bond Deposit Refund	12,450.00	10	GENERAL
24062	1/24/2018	Five Star Painting	Fire Station Exterior Painting, 5% Retention	622.50	10	GENERAL
24062	1/24/2018	Five Star Painting	Fire Station Exterior Painting, Bid Deposit Refund	1,245.00	10	GENERAL
Total 24062	1/24/2018			14,317.50		
24063	1/24/2018	Frontier Communications	City Hall Internet, 1/10/18-2/9/18	146.98	10	GENERAL
24063	1/24/2018	Frontier Communications	City Hall Phones, 1/13/18-2/12/18	121.72	10	GENERAL
24063	1/24/2018	Frontier Communications	Fire Station, Phone and Internet 1/13/18-2/12/18	215.15	10	GENERAL
Total 24063	1/24/2018			483.85		
24064	1/24/2018	Joe's Hardware	Garbage Disposal for Fire Station	169.14	10	GENERAL
24064	1/24/2018	Joe's Hardware	Pliers for Fire Station	20.46	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 24064	1/24/2018			189.60		
24065	1/24/2018	LANCE, SOLL & LUNGHARD	2017 City Financial Audit, Final	950.00	10	GENERAL
Total 24065	1/24/2018			950.00		
24066	1/24/2018	Lawrence Roll-Up Doors, Inc.	Door Repair, Fire Station	1,000.15	10	GENERAL
Total 24066	1/24/2018			1,000.15		
24067	1/24/2018	Nancy Greenhalgh	Retiree Health Insurance February 2018	199.31	10	GENERAL
Total 24067	1/24/2018			199.31		
24068	1/24/2018	Pitney Bowes Global Financial Services, LLC	Postage, January 2018	201.00	10	GENERAL
Total 24068	1/24/2018			201.00		
24069	1/24/2018	Rogers, Anderson, Malody & Scott, LLP	Accounting Services, December 2017	6,700.00	10	GENERAL
Total 24069	1/24/2018			6,700.00		
24070	1/24/2018	JOHN REGUS	Conference Room Rent February 2018	250.00	10	GENERAL
Total 24070	1/24/2018			250.00		
24071	1/24/2018	JOHN REGUS	Library Rent March 2018	1,043.33	10	GENERAL
Total 24071	1/24/2018			1,043.33		
24072	1/24/2018	County Executive Office	Animal Shelter Services, Jan - March 2018	18,086.13	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
24072	1/24/2018	County Executive Office	SCFA Miscellaneous Expenses, 2nd Qtr FY 17/18	1,073.00	10	GENERAL
Total 24072	1/24/2018			19,159.13		
24073	1/24/2018	RIV. CO. SHERIFF'S DEPT., Acctg & Fin	Sheriff's Contract Law Enforcement 11/9/17-12/6/17	122,204.29	10	GENERAL
Total 24073	1/24/2018			122,204.29		
24074	1/24/2018	COUNTY OF RIVERSIDE-TLMA	SLF December 2017 Costs	760.23	20	GAS TAX
Total 24074	1/24/2018			760.23		
24075	1/24/2018	SOUTHERN CALIFORNIA EDISON	Electricity, City Hall 12/14/17-1/16/18	676.86	10	GENERAL
24075	1/24/2018	SOUTHERN CALIFORNIA EDISON	Electricity, Fire Station 12/14/17-1/16/18	415.45	10	GENERAL
24075	1/24/2018	SOUTHERN CALIFORNIA EDISON	Electricity, Pump Station 12/8/17-1/9/18	265.02	20	GAS TAX
24075	1/24/2018	SOUTHERN CALIFORNIA EDISON	Electricity, Traffic Control 11/18/17-12/19/17	12.52	20	GAS TAX
24075	1/24/2018	SOUTHERN CALIFORNIA EDISON	Electricity, Traffic Control 12/14/17-1/16/18	183.87	20	GAS TAX
Total 24075	1/24/2018			1,553.72		
24076	1/24/2018	Special District Risk Management Authority	Dental Insurance February 2018	200.63	10	GENERAL
Total 24076	1/24/2018			200.63		
24077	1/24/2018	Solar City	Permit Refund, #2017-256	93.75	10	GENERAL
Total 24077	1/24/2018			93.75		
24078	1/24/2018	Sparkletts	Drinking Water Service, 12/13/17-1/3/18	58.90	10	GENERAL

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Num...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total 24078	1/24/2018			58.90		
24079	1/24/2018	Speedy Vehicle Registration	Live Scans for New Employees	60.00	10	GENERAL
Total 24079	1/24/2018			60.00		
24080	1/24/2018	STATE COMP. INS. FUND	Workers Comp, February 2018	1,265.42	10	GENERAL
Total 24080	1/24/2018			1,265.42		
24081	1/24/2018	Synoptek, LLC	IT Services January 2018	2,119.50	10	GENERAL
Total 24081	1/24/2018			2,119.50		
24082	1/24/2018	TPx Communications	City Hall Phone System, 1/16/18-2/15/18	557.75	10	GENERAL
Total 24082	1/24/2018			557.75		
24083	1/24/2018	Time Warner Cable	Internet, Fire Station 1/10/18-2/9/18	168.98	10	GENERAL
Total 24083	1/24/2018			168.98		
24084	1/24/2018	U. S. Bank	LOCC-Larry Greene, New Law Academy-Stephanie, etc.	966.21	10	GENERAL
Total 24084	1/24/2018			966.21		
24085	1/24/2018	Verizon Wireless	Cell Phones, 12/04/17-01/03/18	244.16	10	GENERAL
24085	1/24/2018	Verizon Wireless	iPads, 12/4/17-1/3/18	199.08	10	GENERAL
Total 24085	1/24/2018			443.24		
24086	1/31/2018	CR&R	Refuse 1/12/2018	648,275.16	50	AGENCY

City of Canyon Lake
 Check/Voucher Register - Council Report - Expenditures
 From 1/1/2018 Through 1/31/2018

Check Numb...	Matching Docum... Date	Vendor Name	Transaction Description	Check Amount	Fund Code	Fund Short Title
Total	1/31/2018			648,275.16		
24086						
Report Total				1,016,772.17		

MINUTES
ADJOURNED MEETING OF THE
CANYON LAKE CITY COUNCIL
Wednesday, January 10, 2018
Closed Session – 6:00 p.m.
Open Session - 6:30 p.m.

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

Closed Session – 6:00 p.m.

1. Call to Order

Mayor Warren Called Closed Session to order at 6:00 p.m.

2. Roll Call

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

Absent: Council Member Greene

3. Public Comments

There were no public comments.

4. Closed Session

a. Conference with Legal Counsel – anticipated litigation – Significant exposure to
litigation pursuant to paragraph (2) of subdivision (d) of section 54956.9 - 2 cases

b. Return/Report from Closed Session

The City Council returned from closed session at 6:30 p.m. with no reportable action.

Open Session – 6:30 p.m.

1. Call Open Session to Order

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

2. Invocation

Invocation was led by John Giardinelli.

Flag Salute

Flag Salute was led by John Giardinelli.

3. Roll Call

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

4. Approval of the City Council Agenda

Moved by Greene, seconded by Bonner to approve the agenda with item 10.2 tabled.

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

5. Special Presentation and Proclamations

5.1 Chamber of Commerce Announcements

Jim Randel, President of the Chamber of Commerce, announced upcoming Chamber of Commerce events and award nominations. There was discussion regarding neighboring Chambers holding events in Canyon Lake. He went on to introduce the President Elect of the Chamber of Commerce.

5.2 Presentation to Council Member Bonner

Mayor Warren presented Council Member Bonner with tokens of appreciation for his service as Mayor in 2017. Council Member Bonner provided highlights from the State of the City announcements for 2017.

5.3 Student of the Month – Cooper Smith

Mayor Warren presented Student of the Month Cooper Smith with a proclamation from the City Council.

5.4 Update by Sheriff's Department

Lt. Huskey provided an update to the City Council and community regarding the Sheriff's Department statistics for November 2017, and the recent issue in the community of vehicle thefts. He went on to provide an update on the major fatal traffic incident in November 2017. He indicated that the driver of one of the cars was arrested and charged with DUI Gross Vehicular Manslaughter, Murder, and DUI causing injury. He was held on \$1 million bail and posted bond. He would be going to court soon. Lt. Huskey also discussed the arson incident the prior week. The suspect fled, there was a car chase that went into Orange County and ended up with the suspect being captured. The suspect was booked for arson, attempted murder, and felon out on bail. Lt. Huskey reviewed the prior incidents with the suspect.

There was discussion regarding the suspected arsonist's court dates and whether or not people could be told if the suspect was allowed out of jail.

5.5 Update on Menifee Zip Code Change by Menifee Mayor Neil Winter

This item was moved to the February 2018 City Council Meeting.

5.6 Presentation to Veteran's Day Sponsors

Mayor Warren and Council Member Ehrenkranz discussed the Veteran's Day event each year, and recognized the volunteers working on the Veteran's Day committee.

The volunteers on the committee discussed the history of the event.

Mayor Warren and Council Member Ehrenkranz presented sponsors with tokens of appreciation.

5.7 American Medical Response (AMR) Presentation

Item 5.7 was addressed prior to Item 5.6.

Doug Key, with AMR, discussed how ambulance and emergency medical services were provided, including patient choice of hospitals. He went on to discuss how emergency billing worked and how people could deal with their insurance company regarding emergency medical services. Mr. Key continued to discuss the current flu epidemic.

Mayor Pro Tem Greene introduced a discussion about receiving statistics on Basic Life Support and Advanced Life Support responses, billings, and the response times. He added a discussion on Mobile Integrated Health Care.

Council Member Bonner asked if a staff member of AMR could attend Public Safety Committee Meetings to provide statistics and answer questions. Mr. Key indicated that a representative could be present.

6. Public Comment

Prior to Public Comments, Mayor Warren called a recess at 7:20 p.m. for photos with the event sponsors and volunteers.

Mayor Warren called the meeting back to order at 7:30 p.m.

Nancy Horton, Board Member for Elsinore Valley Municipal Water District, discussed the lake level and the water quality entering the lake. She went on to discuss the accuracy of weather forecasts.

7. Consent Calendar

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

7.2 Adoption of Resolution No. 2018-01, Approving Claims and Demands of the City

7.3 City Council Meeting Minutes

7.3.1 December 6, 2017

7.3.2 January 3, 2018

7.4 Acceptance of Contract Work Fire Station #60 Exterior Paint Project No. 2017-11

Council Member Bonner moved to approve the Consent Calendar as presented, seconded by Mayor Pro Tem Greene seconded the motion.

Mayor Warren asked if any Council Member would like any items pulled from the Consent Calendar.

City Attorney Martyn announced that a resident had provided a handout to the City Council and was requesting to comment on one of the items.

John Zaitz, a resident, asked to have Item 7.2 pulled from the Consent Calendar.

City Attorney Martyn stated that Mr. Zaitz could make his comments without the item being pulled from the Consent Calendar. Mayor Warren asked Mr. Zaitz to continue with his comments.

John Zaitz, resident, asked the Finance Committee Members to comment on what SLF costs stood for on Check Number 24010 to the County of Riverside for SLF costs.

Mayor Pro Tem Greene asked City staff to comment.

City Manager Palmer stated that the item was for signal light maintenance per the contract with the County.

John Zaitz, a resident, referred to the document that he provided to the City Council that was previously in the December 2017 Finance Committee packets that he questioned. He questioned the rate of spending in the City Attorney's budget and the City Clerk's budget for the year, and the rate of collection for the Utility Users' Tax with its backup documents not matching the numbers.

City Attorney Martyn stated that she had provided information to the Finance Committee regarding the rate of spending in the City Attorney Department budget. She announced

that the spending had been higher than normal and the bills had been audited. It was found that there were unusual issues being addressed such as cannabis, a couple major Code Enforcement actions that the City Council would see as Public Hearings, and approximately 35 to 50 public records requests made by John Zaitz including letters to outside agencies and a court hearing that required preparation which were unplanned expenses.

Mayor Warren included that those costs did not reflect the staff time that was devoted to those public records requests in addition to the attorney costs.

Moved by Bonner, seconded by Greene to approve the consent calendar as presented.

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

8. Pulled Consent Calendar Items

There were no pulled consent calendar items.

9. Schedule of Future Events

Mayor Warren announced the schedule of future events are located on the agenda, website and Friday Flyer.

10. Business Items

10.1 Fee Study Update

City Manager Palmer introduced Terry Shea the Finance Director who provided the update on the fee study. Mr. Shea added that he would be happy to discuss the differences in the Utility Users' Tax number reported as discussed previously by resident John Zaitz after the meeting.

There was discussion that the City Council could not switch back and forth between items and that the discussion about the UUT would have to be after the meeting if an individual Council Member had questions. Staff stated that comments about the issue would be made under staff comments.

10.2 Discussion and Direction to Staff Regarding Proposed Agreement Between EVWMD, Canyon Lake POA, and the City of Canyon Lake to Shares Costs for Proposed Consulting Services

This item was tabled.

10.3 Discussion and Possible Direction Regarding Participation In Regional Activities That Could Affect Canyon Lake

City Manager Palmer stated that the item was brought to the City Council at the request of Council Member Haggerty. He discussed regional issues and that direction was sought regarding how staff should interact with neighboring cities' staff and the City Council Members should interact with neighboring City Councils on various regional issues.

There was discussion regarding the history of relationships with the neighboring cities and issues that needed to be addressed in transportation and sharing resources.

It was stated that staff members should continue to work with neighboring cities and continue having open dialogs.

There was discussion regarding Canyon Lake providing all the high schools in Canyon Lake with free golf course access and supplies.

There was discussion regarding the improved, positive dialog happening between cities and continuing that trend.

10.4 Update City Council Member Committee Assignments; and discussion and possibly approve Resolution No. 2018-02 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE TO SUPPORT “MOVE I-15 THROUGH TEMECULA VALLEY,” A SOUTHWEST RIVERSIDE COUNTY REGIONAL TASK FORCE CREATED TO ADDRESS THE DAILY INTERSTATE 15 TRAFFIC CONGESTION BETWEEN THE I-15/215 JUNCTION AND THE SAN DIEGO COUNTY LINE

City Manager Palmer provided the staff report for the item. The Committee Assignments displayed were the same as the previous year.

Mayor Warren requested that Council Member Bonner be the Chair of the RCTC Committee and she (Mayor Warren) be the Alternate to the Committee.

She went on to request that Council Member Bonner be the Chair and she (Mayor Warren) be the Alternate for the Move I-15 Through the Temecula Valley task force if that was approved by the City Council.

She announced that the Water Meeting time was 9:00 a.m. and that no stipend was paid for members of the Lake Elsinore San Jacinto Watershed Agency. She went on to state that Council Member Haggerty was attending the Murrieta Temecula Group, and that Council Member Haggerty should be the Chair of that group and Mayor Warren would be moved to Member.

Mayor Pro Tem Greene stated that he should be moved to Chair of the Emergency Preparedness Committee and that Mike Borja should be added as a member. There was discussion regarding having one Council Member and one Staff Member appointed in the future.

There was discussion about joining the proposed task force and the purpose.

Barry Talbot, a resident, stated that he had sent an email to all of the City Council Members and that he felt it was redundant to have a committee for administration. He felt that the City Council designated the City Manager to conduct the administration of the City and there should not be a committee to do that.

Council Member Bonner discussed the history of the administration portion of the Finance, Administration, and Planning Committee, and its purpose.

There was discussion regarding the pros and cons of eliminating the Administration portion of the committee and separating the planning portion to its own committee. Administration would be removed from the committee name, and the committee would now be Finance and Planning Committee. The same staff members and reporting would occur.

There was additional discussion about separately addressing planning issues with an ad hoc committee at the time an issue comes up, leaving it with the Finance Committee, creating a separate Planning Committee like there was in the past, or eliminating that to have items go straight to the City Council and schedule workshop meetings if necessary.

Moved by Greene, seconded by Bonner to strike the word Administration from the current Administration, Finance, and Planning Committee, to create the Finance and Planning Committee.

Motion carried 4-1 with Council Members Bonner, Ehrenkranz, Mayor Pro Tem Greene and Mayor Warren voting aye, and Council Member Haggerty voting no.

The changes to the Committee assignments for RCTC and the appointments to the new I-15 task force were reviewed.

Moved by Greene, seconded by Ehrenkranz to approve the committee assignments with the discussed changes.

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

Moved by Greene, seconded by Haggerty to approve Resolution 2018-02.

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

11. City Manager Comments

City Manager Palmer asked Finance Director Shea to provide comments.

Finance Director Shea discussed the documents provided by resident John Zaitz and the difference in the reporting periods displayed on the documents. Staff would be changing the Utility Users' Tax (UUT) updates to once per quarter for the Finance Committee instead of once per month. There was discussion regarding the tracking method used for the UUT. Staff stated that they would contact resident John Zaitz regarding the issue. There was also discussion regarding the changes that would be made to the reporting of the percentage of department budgets used.

City Manager Palmer thanked Administrative Services Manager Borja for his assistance in putting together the plaques for the Veteran's Day Sponsors, and Donna Richie for the photo used.

12. Committee and Council Reports/Comments

12.1 Council Member Bonner

Council Member Bonner discussed the events and meetings he had attended in December. He went on to discuss the finances of transportation projects in Riverside County.

12.2 Council Member Ehrenkranz

Council Member Ehrenkranz discussed information he received from Southern California Association of Governments regarding the construction industry in the area. He went on to discuss the boom of population in Nevada and Tijuana, Mexico from people leaving California. He provided information about WRCOG's program for solar and other home energy improvements.

12.3 Council Member Haggerty

Council Member Haggerty discussed attending the RCTC budget meeting, and various City functions. She went on to discuss some issues that were brought to her by local business owners due to employees parking close to businesses and having their customers having to park further away.

12.4 Mayor Pro Tem Greene

Mayor Pro Tem Greene discussed the RCA meeting he attended and the tour of the Canyon Lake BLM that was provided to the Chair of the RCA and announced that the Chair would be coming back for a boat tour of the area. He announced

that he would be attending training put on by the League of California Cities in Sacramento. He was continuing the Hands on CPR outreach with the Emergency Preparedness Committee and an AED had been donated to the Property Owners' Association for the East Port Park. He went on to discuss the other events that he attended in December.

12.5 Mayor Warren

Mayor Warren discussed the holiday events held by the various committees she attended. She announced that the City of Canyon Lake would be hosting the League of California Cities meeting in March.

13. Announcements

The next regular City Council meeting that was scheduled for February 7, 2018 at 6:30 p.m. for Open Session.

14. Adjournment

Mayor Warren adjourned the meeting at 8:35 p.m.

Respectfully submitted,

Ariel Hall
City Clerk Dept.

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

TO: Mayor and City Council

FROM: Aaron Palmer, City Manager/City Clerk

BY: Ariel M. Hall, City Clerk's Dept.

DATE: February 7, 2018

SUBJECT: Approval of Resolution No. 2018-05, Changing the name and functions of the City Council Administration, Finance, and Planning Committee

Recommendation:

Staff recommends that the City Council approve Resolution No. 2018-05, changing the name and functions of the City Council Administration, Finance, and Planning Committee.

Background:

At the January 10, 2018 Adjourned City Council Meeting, the City Council took action to remove the administration review function of the Administration, Finance, and Planning Committee. The City Council directed that the committee name would be changed to the Finance and Planning Committee, and would still oversee administrative functions of the City which have a financial impact, financial items, and planning projects and/or issues.

The attached resolution provided for City Council consideration would formally change the functions and name of the committee.

Budget (or Fiscal) Impact:

There is no fiscal impact.

Attachments:

1. Resolution No. 2018-05

RESOLUTION NO. 2018-05

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE,
CALIFORNIA, CHANGING THE NAME AND FUNCTIONS OF THE CITY COUNCIL
ADMINISTRATION, FINANCE, AND PLANNING COMMITTEE**

WHEREAS Section 2.04.040 of the Municipal Code requires that the City Council adopt Rules of Procedure to govern the conduct of its meetings and any of its other functions and activities, and regulations pertaining thereto; and

WHEREAS, with the passage of time, the City has had experience with such activities and therefore wishes to update such functions and activities by updating the City Council Committees, their functions, and meeting dates and times; and

WHEREAS, the City Council wishes to remove the Administration review portion of the Administration, Finance, and Planning Committee.

NOW, THEREFORE, the City Council of the City of Canyon Lake does hereby resolve that the City Council Committees, their related functions, and meeting dates and times are revised and adopted as follows:

Section 1. STANDING COMMITTEES

1.1 FINANCE AND PLANNING COMMITTEE:

There shall be a standing committee of the City Council known as the Finance and Planning Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Finance and Planning Committee shall study matters related to the financial policies of the City, revenues and expenditures, planning, land use, and those duties as prescribed in the Canyon Lake Municipal Code or assigned by the City Council and shall make recommendations to the Council. The Finance and Planning Committee shall meet on the Tuesday prior to the monthly Regular City Council Meeting at 8:00 a.m. in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

1.2 PUBLIC WORKS COMMITTEE:

There shall be a standing committee of the City Council known as the Public Works Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Public Works Committee shall study matters relating to roads, public facilities, street lighting, parks and recreation, and related matters referred to it by the City Council, and shall make recommendations to the Council. The Public Works Committee shall meet on an as needed basis in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

1.3 PUBLIC SAFETY COMMITTEE:

There shall be a standing committee of the City Council known as the Public Safety Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Public Safety Committee shall study matters relating to law enforcement, fire department, traffic safety, animal control, and related matters referred to it by the City Council, and shall make recommendations to the Council. The Public Safety Committee shall meet on the Tuesday prior to the monthly Regular City Council Meeting at 9:30 a.m., after the Finance and Planning Committee Meeting, in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

1.4 HEALTH & COMMUNITY COMMITTEE

There shall be a standing committee of the City Council known as the Health & Community Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Committee shall study matters relating to healthy cities and other matters as referred to it by the City Council, and shall make recommendations to the Council as to such matters. The Health and Community Committee shall meet on an as needed basis in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

1.5 WATER COMMITTEE

There shall be a standing committee of the City Council known as the Water Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Committee shall study matters relating to water issues within the City and Region and such other matters a referred to it by the City Council, and shall make recommendations to the Council as to such matters. The Water Committee shall meet on a bi-monthly basis at a time and location noticed appropriately.

1.6 ECONOMIC DEVELOPMENT COMMITTEE

There shall be a standing committee of the City Council known as the Economic Development Committee. The Committee shall consist of two members of the City Council appointed by the Council. This Committee shall study matters regarding redevelopment and economic development within the City and region and related matters referred to it by the City Council and shall make recommendations to the Council regarding such matters. The Economic Development Committee shall meet on an as needed basis in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

1.7 FIRE DEPARTMENT START-UP COMMITTEE

There shall be a standing committee of the City Council known as the Fire Department

Start-up Committee. The Committee shall consist of two members who shall be Councilmembers appointed by the City Council. The Fire Department Start-up Committee shall study matters relating to the staffing levels, personnel benefits, policies, procedures, equipment, and budgeting of starting a municipal fire department, exploring alternative options, and related matters referred to it by the City Council, and shall make recommendations to the Council. The Fire Department Start-Up Committee shall meet on an as needed basis in the City Council Chamber at 31516 Railroad Canyon Road, Canyon Lake, CA 92587.

PASSED, APPROVED, and ADOPTED on this 7th day of February, 2018.

Vicki Warren, Mayor

ATTEST:

Aaron Palmer, City Manager/City Clerk

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

I, Aaron Palmer, City Manager/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. 2018-05 adopted by the City Council of the City of Canyon Lake, California, at a regular meeting held on the 7th day of February, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Aaron Palmer, City Manager/City Clerk

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

TO: Mayor and City Council
FROM: Aaron Palmer, City Manager/City Clerk
DATE: February 7, 2018
SUBJECT: Receive and File Quarterly Investment Report

Recommendation:

Staff recommends that the City Council receive and file the attached Quarterly Investment Report.


Attachments:

1. Quarterly Investment Report ending December 2017

**City of Canyon Lake
Schedule of Investments
as of December 31, 2017**

Institution	Par Value	Book Value Price @ Cost	(Fair Value) Market Value	Yield	Purchase Date	Maturity Date
ACTIVE DEPOSITS						
<i>Money Market Accounts:</i>						
Citizens Business Bank - Money Market	\$ 310,357.08	\$ 310,357.08	\$ 310,357.08	0.200%	N/A	N/A
Total Money Market	\$ 310,357.08	\$ 310,357.08	\$ 310,357.08			
<i>Pooled Investment Accounts:</i>						
Local Agency Investment Fund	\$ 9,683.64	\$ 9,683.64	\$ 9,683.64	1.239%	N/A	N/A
Total Pooled Investment	\$ 9,683.64	\$ 9,683.64	\$ 9,683.64			
<i>Citizens Trust:</i>						
Citizens Business Bank Mmkt Fund	\$ 239,395.50	\$ 239,395.50	\$ 239,395.50	0.200%	N/A	N/A
American Medium Term CD	\$ 100,000.00	\$ 99,975.00	\$ 99,815.29	1.600%	09/24/15	09/17/18
John Deere Capital Corp	\$ 100,000.00	\$ 109,598.00	\$ 104,738.00	3.900%	10/21/16	07/12/21
Federal Home Loan Bank	\$ 50,000.00	\$ 50,000.00	\$ 49,068.00	1.640%	06/14/16	06/14/21
Federal Home Loan Bank	\$ 70,000.00	\$ 70,459.45	\$ 70,052.50	2.000%	12/27/15	12/27/19
Federal Home Loan Bank	\$ 100,000.00	\$ 100,000.00	\$ 97,413.00	1.480%	07/13/16	07/13/21
Freddie Mac	\$ 200,000.00	\$ 200,000.00	\$ 197,488.00	1.000%	07/26/16	04/26/19
Federal Home Loan Bank	\$ 100,000.00	\$ 100,000.00	\$ 98,938.00	1.400%	10/29/15	10/29/19
Federal Farm Credit Bank	\$ 100,000.00	\$ 99,909.00	\$ 98,091.00	1.620%	04/12/16	04/12/21
Federal Home Loan Bank	\$ 100,000.00	\$ 99,667.18	\$ 99,073.00	1.375%	10/01/15	09/13/19
Freddie Mac	\$ 100,000.00	\$ 100,000.00	\$ 98,335.00	2.050%	12/30/16	12/30/21
Freddie Mac	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	2.500%	12/29/17	12/29/22
Freddie Mac	\$ 100,000.00	\$ 100,000.00	\$ 98,527.00	2.150%	07/27/17	04/27/22
BMW Bank North America	\$ 100,000.00	\$ 99,980.00	\$ 100,086.09	2.200%	10/01/15	09/30/20
Capital One CD	\$ 100,000.00	\$ 99,615.00	\$ 100,108.49	2.200%	10/07/15	10/07/20
Enerbank USA CD	\$ 100,000.00	\$ 100,000.00	\$ 98,873.62	1.750%	10/16/15	10/16/20
PNC Bank	\$ 200,000.00	\$ 202,837.59	\$ 198,222.00	2.150%	08/08/16	04/29/21
Fannie Mae	\$ 100,000.00	\$ 100,000.00	\$ 98,312.00	1.500%	06/29/16	09/29/20
Freddie Mac	\$ 50,000.00	\$ 49,967.50	\$ 48,593.50	1.600%	09/30/16	09/30/21
Fannie Mae	\$ 100,000.00	\$ 100,000.00	\$ 97,758.00	1.600%	07/28/16	07/28/21
Fannie Mae	\$ 100,000.00	\$ 100,000.00	\$ 97,433.00	1.500%	07/28/16	07/28/21
Fannie Mae	\$ 100,000.00	\$ 99,959.00	\$ 96,758.00	1.625%	10/28/16	10/28/21
Fannie Mae	\$ 82,391.40	\$ 88,158.82	\$ 84,402.62	3.819%	06/25/17	06/25/20
Fannie Mae	\$ 50,000.00	\$ 50,561.00	\$ 49,457.50	1.420%	05/11/16	02/05/20
BB&T Corporation	\$ 75,000.00	\$ 75,273.33	\$ 75,511.50	2.625%	09/08/15	06/29/20
Pepsico	\$ 25,000.00	\$ 28,169.00	\$ 26,142.25	4.500%	02/03/15	01/15/20
Total Citizens Trust	\$ 2,641,786.90	\$ 2,663,525.37	\$ 2,622,592.66			
ACTIVE DEPOSITS TOTAL	\$ 2,961,827.62	\$ 2,983,566.09	\$ 2,942,633.58			
INACTIVE DEPOSITS						
<i>Checking Account:</i>						
Citizens Business Bank - Checking		\$ 2,464,265.57	\$ 2,464,265.57	0.000%	N/A	N/A
Total		\$ 2,464,265.57	\$ 2,464,265.57	0.000%		
INACTIVE DEPOSITS TOTAL		\$ 2,464,265.57	\$ 2,464,265.57			
GRAND TOTAL CASH		\$ 5,447,831.66	\$ 5,406,899.15			

Per Government Code requirements, the Investment Report is in compliance with the City of Canyon Lake's Investment Policy, and there are adequate funds available to meet budgeted and actual expenditures for the next six months.


 Terry Shea
 12/31/2017

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

TO: Honorable Mayor and Members of the City Council

FROM: Aaron Palmer, City Manager

DATE: February 7, 2018

SUBJECT: Approve Lease Extension for Additional Library Space with John Regus

Recommendation

Staff recommends that the City Council approve the City Manager entered into a lease extension for additional library space with John Regus.

Background

On February 1, 2008, the City enter into a lease agreement with John Regus for additional space for the Canyon Lake Branch of the Riverside County Library System. This initial contract ended on January 31, 2013 and was renewed until January 31, 2018. The proposed lease extension would run through January 31, 2023. The monthly rent for the calendar 2018 would be \$1,043.34. Each February, during the life of the agreement, the monthly rent would increase three percent (3.0%).

Fiscal Impact

The monthly rate for calendar year 2018 would be \$1,043.34. Each February the rent would increase three percent (3.0%). This monthly rent, along with any increase, is passed along to the County of Riverside, as the City owns the larger space that the library currently occupies and thus charges the County monthly rent for both spaces in the amount of \$3,652.51.

Attachments

1. Lease Extension Agreement

LEASE EXTENSION AGREEMENT

This Lease Extension Agreement (this "Extension") is entered as of January 22, 2018 by and between John U. Regus ("Landlord") and City of Canyon Lake ("Tenant"). Landlord and Tenant may collectively be referred to as the "Parties."

WHEREAS, Landlord and Tenant entered into a lease agreement dated February 1, 2008 regarding the property at 31520 Railroad Canyon Rd., Suite C, Canyon lake, CA 92587 (the "Premises") for a term ending on January 31, 2013 (the "Lease"); and

WHEREAS, the Parties wish to extend the term of the Lease.

NOW, THEREFORE, the Parties hereby agree as follows:

EXTENSION: The Lease shall extend and continue for an additional term commencing on February 1, 2018 and terminating on January 31, 2023 (the "New Term").

LEASE PAYMENTS: During the New Term, Tenant agrees to pay Landlord as rent for the Premises the amount of 1,043.34 each month, payable on the first day of each month of the New Term. If the New Term ends on any day other than the last day of the month, the rent will be prorated accordingly. The amount of the Lease payment increases three (3) percent on February 1st of each year.

OBLIGATIONS UNDER THE LEASE: The Parties agree that all terms, conditions and obligations of the Lease remain in effect throughout the New Term except for those provisions of the Lease that are directly contradicted by this Extension, in which event the terms of this Extension shall control over the Lease.

SEVERABILITY: If any part or parts of this Extension shall be held unenforceable for any reason, the remainder of this Extension shall continue in full force and effect. If any provision of this Extension is deemed invalid or unenforceable by any court of competent jurisdiction, and if limiting such provision would make the provision valid, then such provision shall be deemed to be construed as so limited.

BINDING EFFECT: The covenants and conditions contained in this Extension shall apply to and bind the parties and the heirs, legal representatives, successors and permitted assigns of the Parties.

GOVERNING LAW: This Extension shall be governed by and construed in accordance with the laws of the State of California

IN WITNESS WHEREOF, the parties have caused this Extension to be executed the day and year first above written.

LANDLORD:



John U. Regus
(Name)
Owner
(Position, if applicable)

TENANT:

(Name)

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

TO: Honorable Mayor and Members of the City Council

FROM: Aaron Palmer, City Manager

BY: Terry Shea, Finance Director

DATE: February 7, 2018

SUBJECT: Review of Fiscal Year 2016-17 Audited Financial Statements

RECOMMENDATION:

It is recommended that the City Council receive and file the Fiscal Year 2016-17 Annual Financial Statements.

BACKGROUND:

Attached you will find the City of Canyon Lakes' Annual Financial Report (Report) and associated letters prepared by Lance, Soll & Lunghard, LLP (LSL). The Report expresses an "unmodified opinion" for the City acknowledging the City's finances and accounting procedures are in order. The Administration and Finance Committee reviewed the information on January 9, 2018.

DISCUSSION:

In late November, 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 Audit 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.

The General Fund fund balance at June 30, 2017 was \$3,993,344, of which \$1,846 was nonspendable, \$75,000 was assigned and \$3,916,498 was unassigned and available to fund ongoing operations. Total General Fund revenues were \$4,826,852 and expenditures were \$4,217,744, leaving the General Fund with an increase in Fund Balance of \$609,108.

CONCLUSION:

It is recommended that the City Council approve the audit by receiving and filing the documents provided by LSL. If there are questions with regard to the audit, they can be addressed to the auditor directly or to the City's Finance Director.

Attachments

- Annual Financial Report Fiscal Year 2016-17
- LSL Certified Public Accountants Letter of 12-22-17
- LSL Certified Public Accountants Report on Internal Controls
- Appropriations Limit Agreed-Upon Procedures Report

CITY OF CANYON LAKE, CALIFORNIA

ANNUAL FINANCIAL REPORT



**YEAR ENDED
JUNE 30, 2017**

**CITY OF CANYON LAKE,
CALIFORNIA**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

City of Canyon Lake
Annual Financial Report
June 30, 2017
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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 City of Canyon Lake, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.



C.P.A.s AND ADVISORS

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, 2017, 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 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 and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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 22, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Luyhard, LLP

Brea, California
December 22, 2017

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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, 2017.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the end of fiscal year 2017 by \$13,071,908. 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 \$259,001 during fiscal year 2016-2017.
- As of June 30, 2017, the City's governmental funds reported combined fund balances of \$5,741,592, an increase of \$625,132 from the prior fiscal year, and \$3,991,498 of the governmental funds' fund balances are assigned and unassigned.
- As of June 30, 2017, assigned and unassigned fund balances for the General Fund was \$3,991,498 or 94.6 percent of total General Fund expenditures.
- The City's total debt decreased by \$132,544 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 \$319,581 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, 2017, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$13,071,908 as summarized below:

Statement of Net position

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 6,812,672	\$ 5,679,369
Capital assets (net of depreciation)	7,951,035	8,453,642
Total assets	<u>14,763,707</u>	<u>14,133,011</u>
Deferred outflows of resources:		
Pension related items	<u>104,782</u>	<u>29,984</u>
Liabilities:		
Current and other liabilities	1,221,959	704,357
Long-term liabilities	<u>517,661</u>	<u>568,181</u>
Total liabilities	<u>1,739,620</u>	<u>1,272,538</u>
Deferred inflows of resources:		
Pension related items	<u>56,961</u>	<u>77,550</u>
Net position:		
Net investment in capital assets	7,612,518	7,975,216
Restricted	1,748,248	1,732,224
Unrestricted	<u>3,711,142</u>	<u>3,105,467</u>
Total net position	<u>\$ 13,071,908</u>	<u>\$ 12,812,907</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 2017. 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 58.2 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, \$1,748,248 or 13.4 percent, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net position), is \$3,711,142.

Statement of Activities: The statement of activities shows how the City's net position changed during the fiscal years 2016-17 and 2015-16. Provided below is a summary of changes in net position.

Statement of Changes in Net position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for services	\$ 316,186	\$ 294,971
Operating grants and contributions	533,346	559,227
Capital grants and contributions	22,717	-
General revenues	4,496,846	4,413,233
Total revenues	5,369,095	5,267,431
Expenses:		
General government	914,836	772,474
Public safety	3,051,354	2,691,880
Public works	955,908	757,914
Community development	185,905	157,550
Interest on long-term debt	2,091	2,833
Total expenses	5,110,094	4,382,651
Change in net position	259,001	884,780
Net position - beginning	12,812,907	11,928,127
Net position - ending	\$ 13,071,908	\$ 12,812,907

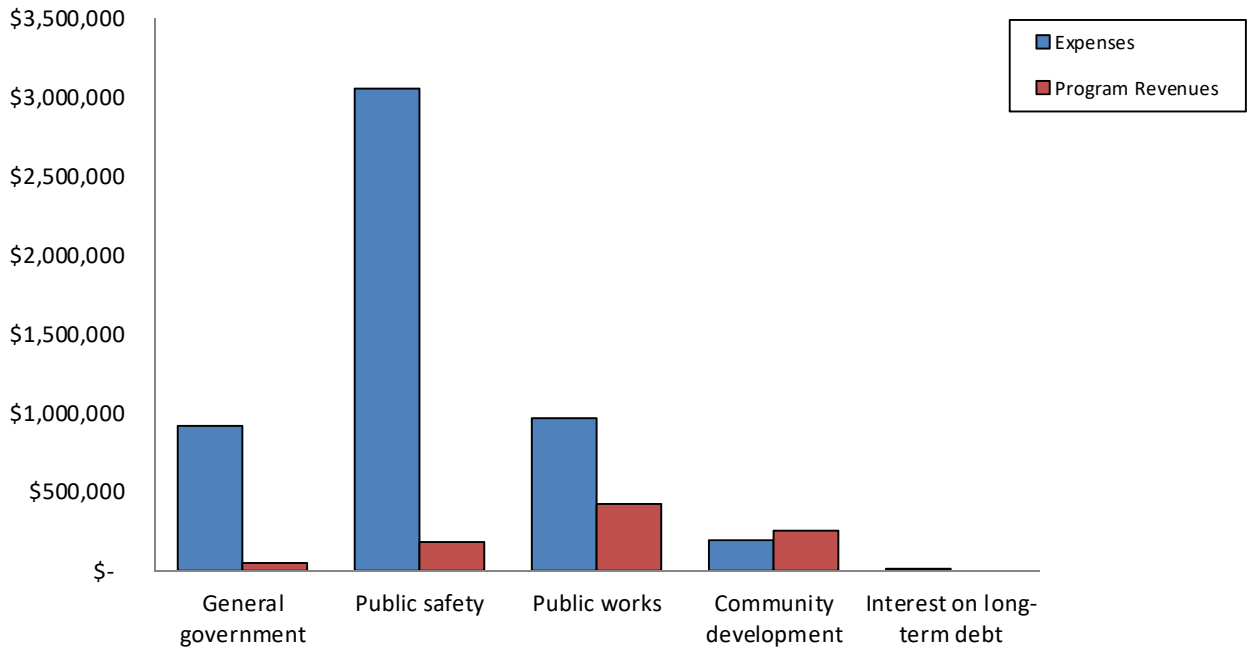
The City's net position increased overall by \$259,001 during the current fiscal year. The reason for the increase is explained in the governmental activities discussion below.

Governmental activities: Net position from governmental activities assets increased by \$259,001. Key elements of the increase are as follows:

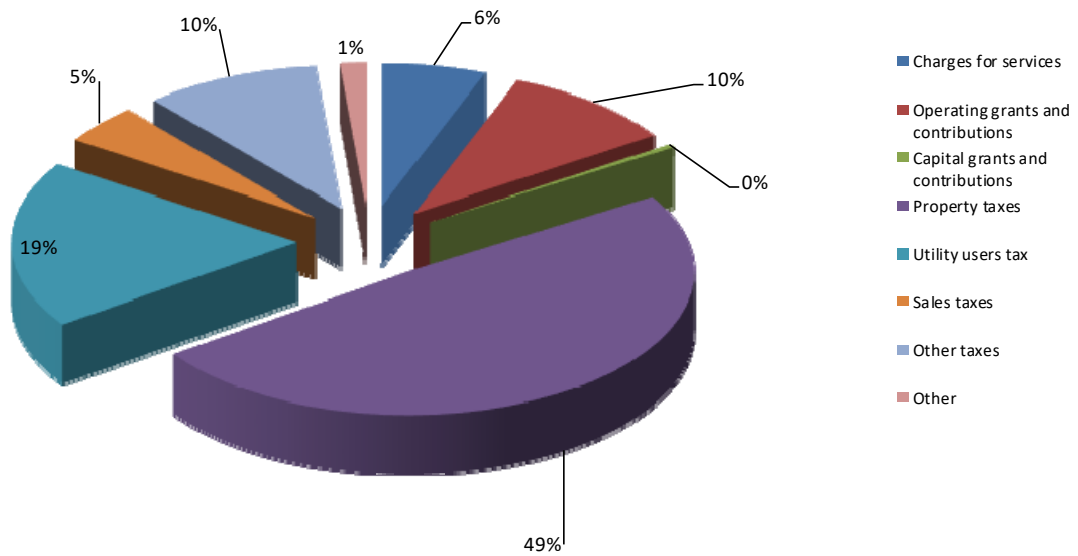
- Increases in property taxes and other taxes of \$116,933.

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, 2017, the City's governmental funds reported combined ending fund balances of \$5,741,592, an increase of \$625,132 in comparison with the prior year. Of the \$5,741,592, \$3,991,498 or 69.52 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 \$609,108 as a result of revenues exceeding expenditures. This is a decrease of \$442,547 from the last fiscal year's increase of \$1,051,655. The reduction in revenues over expenditures from the previous year is due to increases in property taxes of \$117,800, miscellaneous income of \$24,825, building permits and fees of \$11,327 offset by decreases in the use of money and property of \$52,322, increases in expenditures for police services of \$56,175, fire protection services of \$268,725, prior fiscal year included only nine months, salaries and wages for general government of \$82,800, City Clerk costs of \$20,400 for election services and training, Building and Safety costs of \$46,060 because of increased activity and Special Enforcement costs of \$56,240 due to increases in salaries and benefits and maintenance of vehicles.

General Fund Financial and Budgetary Highlights

The General Fund is the chief operating fund of the City. At June 30, 2017, assigned and unassigned fund balance was \$3,991,498. 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 94.6 percent of General Fund expenditures. For the fiscal year, the General Fund's fund balance increased \$609,108 from the prior year. The differences between the General Fund budget and actual are summarized below:

- General Fund actual revenues were above budget by \$160,488 mainly due to higher than anticipated property taxes, other taxes and building permit revenues.
- Actual expenditures were \$272,148 less than the final budgeted amount of \$4,489,892, with General Government being less due to the Fee Study being pushed to the next fiscal year and police and fire protection services being lower than anticipated.

Capital Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental type activities as of June 30, 2017, amounted to \$7,951,035 (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 office furniture for \$3,813.
- Purchase of entry way monuments for \$20,933.

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	
	2017	2016
Land	\$ 130,000	\$ 130,000
Building and improvements	450,590	472,612
Machinery, equipment and vehicles	72,759	52,548
Infrastructure	7,297,686	7,798,482
Total	<u>\$ 7,951,035</u>	<u>\$ 8,453,642</u>

Long-term debt: At the end of fiscal year 2017, the City's total long-term debt outstanding was \$348,959. This amount was comprised of \$153,184 in loans from Riverside County which are secured by several different sources of revenues, \$185,333 in loans from RCTC which are secured by Measure A revenues, and \$10,442 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	
	2017	2016
Compensated absences	\$ 10,442	\$ 3,077
Loan payable County of Riverside	153,184	211,184
Loan payable RCTC	185,333	267,242
Total long-term debt	<u>\$ 348,959</u>	<u>\$ 481,503</u>

Pension Plan Obligations

The City implemented GASB Statement 68 during fiscal year 2014-15 which resulted in an ending net pension liability of \$233,356 at June 30, 2015, \$228,126 at June 30, 2016 and \$319,581 at June 30, 2017. 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 2017-18, 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 2017-18 anticipates having a surplus of \$63,451 for the General Fund.

- Anticipated General Fund Revenues of \$4,784,300, an increase of \$117,436 from the previous year due projected increases in property taxes.
- Proposed General Fund Expenditures of \$4,720,849, an increase of \$307,427 over the previous year, due increased costs in public safety for police and fire protection, and increased public works costs.

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 2017-18 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, 2017**

ASSETS

Cash and investments	\$ 6,470,510
Receivables:	
Accounts	149,791
Interest	10,407
Intergovernmental	180,118
Prepaid items	1,846
Capital assets, net of accumulated depreciation	<u>7,951,035</u>
Total assets	<u>14,763,707</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	<u>104,782</u>
-----------------------	----------------

LIABILITIES

Accounts payable	1,071,080
Noncurrent liabilities:	
Due within one year	150,879
Due in more than one year	198,080
Net pension liability	<u>319,581</u>
Total liabilities	<u>1,739,620</u>

DEFERRED INFLOWS OF RESOURCES

Pension related items	<u>56,961</u>
-----------------------	---------------

NET POSITION

Net investment in capital assets	7,612,518
Restricted:	
Public works	1,657,455
Public safety	69,120
Equipment	21,673
Unrestricted	<u>3,711,142</u>
Total net position	<u><u>\$ 13,071,908</u></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, 2017**

	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	\$ 914,836	\$ 43,004	\$ -	\$ -	\$ (871,832)
Public safety	3,051,354	26,646	142,927	-	(2,881,781)
Public works	955,908	-	390,419	22,717	(542,772)
Community development	185,905	246,536	-	-	60,631
Interest on long-term debt	2,091	-	-	-	(2,091)
Total governmental activities	\$ 5,110,094	\$ 316,186	\$ 533,346	\$ 22,717	(4,237,845)
General revenues:					
Taxes:					
Property tax, levied for general purpose					2,631,752
Utility users tax					1,015,711
Transient occupancy tax					62,295
Franchise tax					327,992
Sales tax					240,026
Other taxes					141,351
Use of money and property					(10,501)
Other					88,220
Total general revenues					4,496,846
Change in net position					259,001
Net position, beginning of year					12,812,907
Net position, end of year					\$ 13,071,908

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Balance Sheet
Governmental Funds
June 30, 2017**

	General	Special Revenue Gas Tax Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,741,699	\$ 842,141	\$ 886,670	\$ 6,470,510
Receivables:				
Accounts	149,791	-	-	149,791
Interest	10,407	-	-	10,407
Intergovernmental	146,839	-	33,279	180,118
Prepaid items	1,846	-	-	1,846
	<u>1,846</u>	<u>-</u>	<u>-</u>	<u>1,846</u>
Total assets	<u>\$ 5,050,582</u>	<u>\$ 842,141</u>	<u>\$ 919,949</u>	<u>\$ 6,812,672</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,057,238	\$ 13,842	\$ -	\$ 1,071,080
	<u>1,057,238</u>	<u>13,842</u>	<u>-</u>	<u>1,071,080</u>
Fund Balances:				
Nonspendable	1,846	-	-	1,846
Restricted	-	828,299	919,949	1,748,248
Assigned	75,000	-	-	75,000
Unassigned	3,916,498	-	-	3,916,498
	<u>3,993,344</u>	<u>828,299</u>	<u>919,949</u>	<u>5,741,592</u>
Total fund balances	<u>3,993,344</u>	<u>828,299</u>	<u>919,949</u>	<u>5,741,592</u>
Total liabilities and fund balances	<u>\$ 5,050,582</u>	<u>\$ 842,141</u>	<u>\$ 919,949</u>	<u>\$ 6,812,672</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, 2017**

Fund balances of governmental funds \$ 5,741,592

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. 7,951,035

Deferred outflow of resources relate to:

Pension contributions made after the measurement date	36,602
Adjustment due to differences in proportions	788
Difference between projected and actual investment earnings	50,309
Change in employer's proportion	17,083

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	\$ (10,442)	
Loan payable - County of Riverside	(153,184)	
Loan payable- RCTC	(185,333)	
Net pension liability	<u>(319,581)</u>	(668,540)

Deferred inflows of resources relate to:

Changes of assumptions	(9,666)
Change in employer's proportion	(23,388)
Difference between contribution and proportionate share of contribution	<u>(23,907)</u>

Net position of governmental activities \$ 13,071,908

City of Canyon Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Special Revenue Gas Tax Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,363,888	\$ -	\$ -	\$ 4,363,888
Licenses and permits	316,885	-	-	316,885
Fines and forfeitures	26,646	-	-	26,646
Intergovernmental	18,605	208,846	337,119	564,570
Use of money and property	32,503	(2,468)	(1,254)	28,781
Other	68,325	-	-	68,325
	<u>4,826,852</u>	<u>206,378</u>	<u>335,865</u>	<u>5,369,095</u>
EXPENDITURES				
Current:				
General government	889,211	-	-	889,211
Public safety	2,946,267	-	99,999	3,046,266
Public works	186,447	254,793	6,294	447,534
Community development	185,905	-	-	185,905
Capital outlay	9,914	-	23,133	33,047
Debt service:				
Principal	-	-	139,909	139,909
Interest and fiscal charges	-	-	2,091	2,091
	<u>4,217,744</u>	<u>254,793</u>	<u>271,426</u>	<u>4,743,963</u>
Net change in fund balances	609,108	(48,415)	64,439	625,132
Fund balances, beginning of year	<u>3,384,236</u>	<u>876,714</u>	<u>855,510</u>	<u>5,116,460</u>
Fund balances, end of year	<u>\$ 3,993,344</u>	<u>\$ 828,299</u>	<u>\$ 919,949</u>	<u>\$ 5,741,592</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, 2017**

Net change in fund balances - total governmental funds	\$	625,132
<p>Amounts reported for governmental activities in the statement of activities different because:</p>		
<p>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:</p>		
Cost of assets capitalized		33,047
Depreciation expense		(535,654)
<p>Governmental funds report principal payments as expenditures. In the statement of activities, principal payments are applied to the appropriate long-term liability.</p>		
		139,909
<p>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:</p>		
Pension related net of adjustments		3,932
Increase in compensated absences payable		(7,365)
		259,001
Change in net position of governmental activities	\$	259,001

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Fiduciary Assets and Liabilities
June 30, 2017

	Agency Fund
ASSETS	
Cash and investments	\$ 4,037
Due from other governments	33,228
Total assets	\$ 37,265
LIABILITIES	
Deposits	\$ 37,265
Total liabilities	\$ 37,265

The accompanying notes are an integral part of these financial statements

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City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017

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, 2017

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, 2017

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the date of acquisition.

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, 2017

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017

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.

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.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

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

Statement of Net position	
Cash and investments	\$ 6,470,510
Statement of Fiduciary Assets and Liabilities	
Cash and investments	<u>4,037</u>
 Total cash and investments	 <u><u>\$ 6,474,547</u></u>

Cash and Investments as of June 30, 2017 consists of the following:

Deposits with financial institutions	\$ 3,533,403
Cash on hand	300
Investments	<u>2,940,844</u>
 Total cash and investments	 <u><u>\$ 6,474,547</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, 2017

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
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.

Investment type	Total	12 months or less	13 to 24 months	25 to 60 months
Local Agency Investment Fund	\$ 9,635	\$ 9,635	\$ -	\$ -
Money market sweep	310,048	310,048	-	-
Negotiable certificates of deposit	403,663	-	99,908	303,755
Federal agency securities	1,392,280	-	198,116	1,194,164
Corporate debt securities	557,908	150,106	-	407,802
Money market	267,310	267,310	-	-
Totals	<u>\$ 2,940,844</u>	<u>\$ 737,099</u>	<u>\$ 298,024</u>	<u>\$ 1,905,721</u>

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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	\$ 9,635	N/A	Not rated
Money market sweep	310,048	N/A	Not rated
Negotiable certificates of deposit	403,663	N/A	Not rated
Federal agency securities	1,392,280	AA-a2	AA+
Corporate debt securities	557,908	A	A A+
Money market	267,310	N/A	Not rated
Totals	<u>\$ 2,940,844</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	\$ 149,090
Federal Home Loan	Federal agency securities	268,121
Fannie Mae	Federal agency securities	530,729
Freddie Mac	Federal agency securities	347,032
JPMorgan Chase	Corporate debt securities	150,106
PNC Bank	Corporate debt securities	198,772

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017, the City had deposits of \$3,947,599 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 is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as level 1, 2 or 3.

LAIF has reported to its participating agencies that, as of June 30, 2017, the carrying amount (at amortized cost) of the Pool was \$77,621,442,814 and the estimated fair value of the pool was \$77,539,216,146. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2017, was \$9,635. 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, 2017

Note 3: Cash and Investments (continued)

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

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable certificates of deposit	\$ 403,663	\$ -	\$ 403,663	\$ -
Federal agency securities	1,392,280	-	1,392,280	-
Corporate debt securities	557,908	-	557,908	-
Money market sweep	310,048	310,048	-	-
Money Market	267,310	-	267,310	-
	2,931,209	\$ 310,048	\$ 2,621,161	\$ -
<u>Investments by Net Asset Value</u>				
Local Agency Investment Fund	9,635			
Totals	<u>\$ 2,940,844</u>			

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2017 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	130,000	-	-	130,000
Capital assets, being depreciated:				
Buildings	735,150	-	-	735,150
Machinery & equipment	276,490	33,047	(3,924)	305,613
Vehicles	141,722	-	-	141,722
Infrastructure	9,966,128	-	-	9,966,128
Total capital assets, being depreciated	11,119,490	33,047	(3,924)	11,148,613
Less accumulated depreciation for:				
Buildings	(262,538)	(22,022)	-	(284,560)
Machinery & equipment	(239,907)	(12,836)	3,924	(248,819)
Vehicles	(125,757)	-	-	(125,757)
Infrastructure	(2,167,646)	(500,796)	-	(2,668,442)
Total accumulated depreciation	(2,795,848)	(535,654)	3,924	(3,327,578)
Total capital assets, being depreciated, net	8,323,642	(502,607)	-	7,821,035
Governmental activities capital assets, net	<u>\$ 8,453,642</u>	<u>\$ (502,607)</u>	<u>\$ -</u>	<u>\$ 7,951,035</u>

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

Note 4: Capital Assets (continued)

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

Governmental activities:	
General government	\$ 22,192
Public safety	5,088
Public works	<u>508,374</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 535,654</u></u>

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 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	\$ 211,184	\$ -	\$ 58,000	\$ 153,184	\$ 63,000
RCTC Loan	267,242	-	81,909	185,333	82,658
Compensated Absences	<u>3,077</u>	<u>10,719</u>	<u>3,354</u>	<u>10,442</u>	<u>5,221</u>
 Governmental activities long-term liabilities	 <u>\$ 481,503</u>	 <u>\$ 10,719</u>	 <u>\$ 143,263</u>	 <u>\$ 348,959</u>	 <u>\$ 150,879</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, 2017 is \$153,184.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017 are as follows:

Year Ending June 30,	Loan County of Riverside Principal
2018	\$ 63,000
2019	63,000
2020	27,184
Total	\$ 153,184

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, 2017 is \$185,333

The annual requirements to amortize the outstanding RCTC Loan payable as of June 30, 2017 are as follows:

Year Ending June 30,	RCTC Loan Payable	
	Principal	Interest
2018	\$ 82,658	\$ 1,342
2019	83,413	587
2020	19,262	28
Total	\$ 185,333	\$ 1,957

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

Note 6: Operating Lease

The City leases equipment under a noncancelable operating lease. Total costs for the lease was \$6,721 for the fiscal year ended June 30, 2017. The future minimum annual lease payments for the lease are as follows:

Year Ending June 30,	Total
2018	\$ 7,332
2019	7,332
2020	7,332
2021	7,332
2022	2,444
	\$ 31,772

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 safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one miscellaneous plan. 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, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017, 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 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	6.886%	6.250%
Required employer contribution rates	8.377%	6.555%

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. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017, were \$36,602. The actual employer payments of \$28,593 made to CalPERS by the City during the measurement period ended June 30, 2016, differed from the City's proportionate share of the employer's contributions of \$42,143 by \$13,550, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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	6/30/2015
Measurement Date	6/30/2016
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, 2015, 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, at www.calpers.ca.gov.

Change of Assumptions

There were no changes of assumptions.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

Note 7: Retirement Plan (continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests 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 (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), 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 equal 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, 2015.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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	20.0%	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	1.0%	-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, 2017

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.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (MD)	\$ 1,329,715	\$ 1,101,589	\$ 228,126
Balance at: 6/30/2016 (MD)	\$ 1,451,253	\$ 1,131,672	\$ 319,581
Net Changes during 2015-16	\$ 121,538	\$ 30,083	\$ 91,455

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, 2016, 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, 2015, rolled forward to June 30, 2016, 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 the June 30, 2015, and 2016 measurement dates was as follows:

	Miscellaneous
Proportionate Share - June 30, 2015	0.00832%
Proportionate Share - June 30, 2016	0.00920%
Change - Increase (Decrease)	0.00088%

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	\$ 514,965	\$ 319,581

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

Note 7: Retirement Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and results in increases to employers, normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

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 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (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, 2017

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, 2015), the City's net pension liability was \$228,126. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense/(income) of \$32,670 for the Plan.

As of June 30, 2017, 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	\$ 788	\$ -
Changes of Assumptions	-	(9,666)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	50,309	-
Change in Employer's Proportion	17,083	(23,388)
Difference in Actual vs. Projected Contributions	-	(23,907)
Pension Contributions Subsequent to Measurement Date	36,602	-
Total	\$ 104,782	\$ (56,961)

These amounts above are net of outflows and inflow recognized in the 2015-16 measurement period expense. \$36,602 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 upcoming fiscal year. Other 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	\$ (17,151)
2018	(8,585)
2019	23,925
2020	13,030

E. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

City of Canyon Lake
Notes to the Basic Financial Statements
June 30, 2017

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, 2017

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	\$ 1,846	\$ -	\$ -	\$ 1,846
Restricted for:				
Public works	-	828,299	829,156	1,657,455
Public safety	-	-	69,120	69,120
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:	3,916,498	-	-	3,916,498
	<u>\$ 3,993,344</u>	<u>\$ 828,299</u>	<u>\$ 919,949</u>	<u>\$ 5,741,592</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 \$101,973 for the fiscal year ended June 30, 2017, which included \$61,309 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

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City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 4,168,100	\$ 4,228,200	\$ 4,363,888	\$ 135,688
Licenses and permits	305,200	311,300	316,885	5,585
Fines and forfeitures	15,000	15,000	26,646	11,646
Intergovernmental	1,000	19,264	18,605	(659)
Use of money and property	67,600	67,600	32,503	(35,097)
Other	25,000	25,000	68,325	43,325
	4,581,900	4,666,364	4,826,852	160,488
EXPENDITURES				
Current:				
General government	897,713	930,963	889,211	41,752
Public safety	3,150,763	3,172,663	2,946,267	226,396
Public works	145,696	154,696	186,447	(31,751)
Community development	218,350	223,350	185,905	37,445
Capital outlay	900	8,220	9,914	(1,694)
	4,413,422	4,489,892	4,217,744	272,148
Net change in fund balance	168,478	176,472	609,108	432,636
Fund balance, beginning of year	3,384,236	3,384,236	3,384,236	-
Fund balance, end of year	\$ 3,552,714	\$ 3,560,708	\$ 3,993,344	\$ 432,636

City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 208,846	\$ (21,154)
Use of money and property	400	400	(2,468)	(2,868)
Total revenues	<u>230,400</u>	<u>230,400</u>	<u>206,378</u>	<u>(24,022)</u>
EXPENDITURES				
Current:				
Public works	<u>265,800</u>	<u>265,800</u>	<u>254,793</u>	<u>11,007</u>
Total expenditures	<u>265,800</u>	<u>265,800</u>	<u>254,793</u>	<u>11,007</u>
Net change in fund balance	(35,400)	(35,400)	(48,415)	(13,015)
Fund balance, beginning of year	<u>876,714</u>	<u>876,714</u>	<u>876,714</u>	<u>-</u>
Fund balance, end of year	<u>\$ 841,314</u>	<u>\$ 841,314</u>	<u>\$ 828,299</u>	<u>\$ (13,015)</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, 2017

	Measurement Date 6/30/2014	Measurement Date 6/30/2015	Measurement Date 6/30/2016
Employer's Proportion of the Collective Net Pension Liability ¹	0.00375%	0.00832%	0.00920%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 233,356	\$ 228,126	\$ 319,581
Employer's Covered Payroll	\$ 97,906	\$ 241,941	\$ 257,514
Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	238.35%	94.29%	124.10%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	82.11%	82.84%	77.98%

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.

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

**City of Canyon Lake
Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*
For the Year Ended June 30, 2017**

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Actuarially Determined Contribution	\$ 21,700	\$ 28,593	\$ 36,602
Contributions in Relation to the Actuarially Determined Contribution	(21,700)	(28,593)	(36,602)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 241,941	\$ 257,514	\$ 408,132
Contributions as a Percentage of Covered Payroll	8.97%	11.10%	8.97%

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

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

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, 2017**

	Special Revenue Funds			
	Measure A	AQMD	Law Enforcement Grants	Miscellaneous Grants
ASSETS				
Cash and investments	\$ 311,773	\$ 110,544	\$ 52,453	\$ 21,673
Receivables:				
Intergovernmental	13,145	3,467	16,667	-
Total assets	<u>\$ 324,918</u>	<u>\$ 114,011</u>	<u>\$ 69,120</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	324,918	114,011	-	-
Public safety	-	-	69,120	-
Equipment	-	-	-	21,673
Total fund balances	<u>324,918</u>	<u>114,011</u>	<u>69,120</u>	<u>21,673</u>
Total liabilities and fund balances	<u>\$ 324,918</u>	<u>\$ 114,011</u>	<u>\$ 69,120</u>	<u>\$ 21,673</u>

<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
Capital Projects	
\$ 390,227	\$ 886,670
<u>-</u>	<u>33,279</u>
<u>\$ 390,227</u>	<u>\$ 919,949</u>

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

390,227	829,156
-	69,120
<u>-</u>	<u>21,673</u>
<u>390,227</u>	<u>919,949</u>
<u>\$ 390,227</u>	<u>\$ 919,949</u>

City of Canyon Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	Measure A	AQMD	Law	Miscellaneous
			Enforcement Grants	
REVENUES				
Intergovernmental	\$ 171,438	\$ 13,640	\$ 129,324	\$ -
Use of money and property	(765)	(272)	(217)	-
Total revenues	<u>170,673</u>	<u>13,368</u>	<u>129,107</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	-	-	99,999	-
Public works	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	139,909	-	-	-
Interest and fiscal charges	2,091	-	-	-
Total expenditures	<u>142,000</u>	<u>-</u>	<u>99,999</u>	<u>-</u>
Net change in fund balances	28,673	13,368	29,108	-
Fund balances, beginning of year	<u>296,245</u>	<u>100,643</u>	<u>40,012</u>	<u>21,673</u>
Fund balances, end of year	<u><u>\$ 324,918</u></u>	<u><u>\$ 114,011</u></u>	<u><u>\$ 69,120</u></u>	<u><u>\$ 21,673</u></u>

<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
\$ 22,717	\$ 337,119
<u>-</u>	<u>(1,254)</u>
<u>22,717</u>	<u>335,865</u>
-	99,999
6,294	6,294
23,133	23,133
-	139,909
<u>-</u>	<u>2,091</u>
<u>29,427</u>	<u>271,426</u>
(6,710)	64,439
<u>396,937</u>	<u>855,510</u>
<u>\$ 390,227</u>	<u>\$ 919,949</u>

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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, 2017

Agency Fund	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS				
Cash and investments	\$ -	\$ 1,199,480	\$ 1,195,443	\$ 4,037
Due from other governments	37,145	33,228	37,145	33,228
Total assets	<u>\$ 37,145</u>	<u>\$ 1,232,708</u>	<u>\$ 1,232,588</u>	<u>\$ 37,265</u>
LIABILITIES				
Deposits	<u>\$ 37,145</u>	<u>\$ 1,232,708</u>	<u>\$ 1,232,588</u>	<u>\$ 37,265</u>
Total liabilities	<u>\$ 37,145</u>	<u>\$ 1,232,708</u>	<u>\$ 1,232,588</u>	<u>\$ 37,265</u>

December 22, 2017

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 (the City) for the year ended June 30, 2017. 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 22, 2017. 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. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2016-2017. 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 22, 2017.

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 management discussion and analysis, budgetary comparison schedule 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.



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

We were engaged to report on the combining nonmajor fund statements and schedules, 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.

New Auditing Standard No. 130

This new auditing standard is effective for financial periods ending on or after December 15, 2017; 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 2016-2017 audit:

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 Post-Employment 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.



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

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 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*.

GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*.

Fiscal year 2018-2019

GASB Statement No. 83, *Certain Assets Retirement Obligations*.

Fiscal year 2019-2020

GASB Statement No. 84, *Fiduciary Activities*.

Restriction on Use

This information is intended solely for the use of City Council and management 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, Solt & 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 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, 2017, 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 22, 2017.

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*.



CPAs AND ADVISORS

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
December 22, 2017

INDEPENDENT ACCOUNTANTS' 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, 2017. 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® 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 XIII B 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

Brea, California
June 8, 2017

CITY OF CANYON LAKE, CALIFORNIA
FISCAL YEAR 2016-2017
APPROPRIATIONS LIMIT CALCULATION

A. 2015-2016 APPROPRIATIONS LIMIT:	\$ 5,060,391	
B. 2016-2017 CHANGE IN PER CAPITA PERSONAL INCOME:		1.0537
C. 2016-2017 CHANGE IN POPULATION:		1.0069
D. RATIO OF CHANGE (1.0537 x 1.0069):	<u>x</u> <u>1.0610</u>	
E. 2016-2017 APPROPRIATIONS LIMIT: (\$5,060,391 x 1.0610)	<u>\$ 5,369,075</u>	

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

TO: Honorable Mayor and City Council Members
FROM: Aaron Palmer, City Manager
BY: Terry Shea, Accountant
DATE: February 7, 2018
SUBJECT: Review of the Fiscal Year 2017-2018 Mid-Year Budget Review and Projections, and Approval of Proposed Budget Adjustments

Recommendation

It is recommended the City Council review the Fiscal Year 2017-18 Mid-Year Budget report and approve the recommended budget adjustments.

Background

In June 2017 the City Council adopted Resolution 2017-09 for adoption of the 2017-18 (FY 17/18) budget and appropriations limit. The Adopted General Fund FY 17/18 budget included \$4,784,300 in revenues and \$4,803,849 in expenditures for a budgeted deficit of \$19,549.

Discussion

Actual revenues through December 2017 with projections for the remainder of the fiscal year are higher than anticipated by \$114,000. The largest projected increases are in Sales Tax, \$15,000, Property Tax VLF Swap, \$27,260, and new funding for the EMPG Grant for \$6,950 for EOC equipment and a SHSP Grant for \$1,653 for CERT Training. .

Actual expenditures through December 2017 with projections for the remainder of the fiscal year are in line with the original budget with the exception of the purchase of a Filter System for the Fire Station, however, certain line items are over and some items need to be added to the budget. Also included in the Fire & Medical Department are costs for the Fire Station improvements which were approved in Fiscal Year 2016-17 and the appropriation was carried over to the current fiscal year. The increases and proposed budget adjustments are as follows:

- 1) Account 10-100-6080 \$1,800 Increase for Worker's Compensation insurance, amounts are higher than anticipated.

- 2) Account 10-100-6610 \$40,000 to hire a consultant for UUT polling.
- 3) Account 10-200-6610 \$10,000 Increase in City Attorney expenditures, costs through December were higher than anticipated.
- 4) Account 10-320-6010 \$17,725 increase in salary for the City Clerk for July and August of \$4,725. Increase for new part-time employee from October to June for \$13,000. The additional salary for the part-time employee is offset by the savings from Code Compliance Officers retirement.
- 5) Account 10-320-6610 \$6,800 increase in contract professional services for the City Clerk during the period of maternity leave for the Deputy City Clerk.
- 6) Account 10-420-6720 \$3,000 increase for landscaping costs at the fire station, amounts originally not budgeted.
- 7) Account 10-420-8000 \$8,000 for an entry gate at the fire station (\$6,200) and a fence around the storage shed (\$1,800), amounts originally not budgeted.
- 8) Account 10-425-6215 \$6,950 to purchase EOC equipment, the amounts will be offset by an EMPG Grant.
- 9) Account 10-425-6710 \$1,653 for CERT Training, the amounts will be offset by an SHSP Grant.
- 10) Account 10-510-6610 \$42,000 increased costs for public works projects.
- 11) Account 10-515-6015 \$(6,500) decrease in salaries due to the Code Compliance Officers retirement.
- 12) Account 10-520-6015 \$(6,500) decrease in salaries due to the Code Compliance Officers retirement.

Please see the attached worksheet for the recommended Budget Adjustments.

Budget (or Fiscal) Impact

If the proposed Budget Adjustments are adopted then the budgeted deficit goes from \$19,549 to \$218,614. The amount includes the carryover of the Fire Station Improvements of \$110,000 and an additional \$10,000 for LESJWA.

Attachments

1. Mid-Year Review and Expenditures - General Fund
2. Mid-Year Proposed Budget Adjustments

**CITY OF CANYON LAKE
MID-YEAR REVIEW - REVENUES AND EXPENDITURES
10 - GENERAL FUND
FISCAL YEAR 2017-18**

	<u>Year-to-Date Actual 31-Dec-17</u>	<u>Projected January to June</u>	<u>Projected FY 2017-18</u>	<u>Amended Budget</u>	<u>% Total of Budget Used</u>	<u>Variance</u>
REVENUES						
PROPERTY TAXES	\$ 616,599.10	\$ 2,116,850.17	\$ 2,733,449.27	\$ 2,720,700.00	100.47	\$ 12,749.27
SALES TAXES	123,412.55	119,000.00	242,412.55	227,000.00	106.79	15,412.55
UTILITY USERS	435,477.30	585,000.00	1,020,477.30	1,020,000.00	100.05	477.30
TRANSIENT LODGING TAX	15,949.80	48,000.00	63,949.80	64,000.00	99.92	(50.20)
BUSINESS LICENSE FEES	23,365.90	24,000.00	47,365.90	48,000.00	98.68	(634.10)
FORECLOSURE FEES	286.00	914.00	1,200.00	4,400.00	27.27	(3,200.00)
COURT, VEHICLE, PARKING	8,603.96	9,100.00	17,703.96	15,000.00	118.03	2,703.96
FRANCHISE FEES	56,074.52	272,300.00	328,374.52	319,100.00	102.91	9,274.52
INTEREST INCOME	6,237.98	22,000.00	28,237.98	25,000.00	112.95	3,237.98
PERMITS AND FEES	151,148.44	128,350.00	279,498.44	229,100.00	122.00	50,398.44
GRANTS	9,923.35	41,800.00	51,723.35	41,800.00	123.74	9,923.35
LEASE INCOME	21,915.06	23,260.00	45,175.06	45,200.00	99.94	(24.94)
MISCELLANEOUS	23,620.74	15,000.00	38,620.74	25,000.00	154.48	13,620.74
TOTAL REVENUES	1,492,614.70	3,405,574.17	4,898,188.87	4,784,300.00	31.20	113,888.87
EXPENDITURES						
CITY COUNCIL						
SALARIES AND BENEFITS	10,766.17	10,592.64	21,358.81	19,540.00	109.31	(1,818.81)
OPERATIONS AND MATERIALS	18,942.98	23,733.90	42,676.88	51,355.00	83.10	8,678.12
	29,709.15	34,326.54	64,035.69	70,895.00	90.32	6,859.31
CITY ATTORNEY						
CONTRACT SERVICES	44,955.65	35,000.00	79,955.65	70,000.00	114.22	(9,955.65)
	44,955.65	35,000.00	79,955.65	70,000.00	114.22	(9,955.65)
CITY MANAGER						
SALARIES AND BENEFITS	140,179.29	131,970.00	272,149.29	274,774.00	99.04	2,624.71
OPERATIONS AND MATERIALS	60,145.15	28,519.63	88,664.78	90,390.00	98.09	1,725.22
	200,324.44	160,489.63	360,814.07	365,164.00	98.81	4,349.93
CITY CLERK						
SALARIES AND BENEFITS	50,398.18	44,652.00	95,050.18	81,078.00	117.23	(13,972.18)
OPERATIONS AND MATERIALS	6,088.87	9,599.25	15,688.12	20,600.00	76.16	4,911.88
	56,487.05	54,251.25	110,738.30	101,678.00	108.91	(9,060.30)

**CITY OF CANYON LAKE
MID-YEAR REVIEW - REVENUES AND EXPENDITURES
10 - GENERAL FUND
FISCAL YEAR 2017-18**

	<u>Year-to-Date Actual 31-Dec-17</u>	<u>Projected January to June</u>	<u>Projected FY 2017-18</u>	<u>Amended Budget</u>	<u>% Total of Budget Used</u>	<u>Variance</u>
FINANCE						
SALARIES AND BENEFITS	\$ 1,951.62	\$ 1,940.00	\$ 3,891.62	\$ 3,900.00	99.79	8.38
CONTRACT SERVICES	62,464.21	68,340.00	130,804.21	132,300.00	98.87	1,495.79
OPERATIONS AND MATERIALS	4,013.70	6,130.38	10,144.08	11,125.00	91.18	980.92
	<u>68,429.53</u>	<u>76,410.38</u>	<u>144,839.91</u>	<u>147,325.00</u>	<u>98.31</u>	<u>2,485.09</u>
PLANNING						
SALARIES AND BENEFITS	-	-	-	-	-	-
CONTRACT SERVICES	21,763.61	33,600.00	55,363.61	56,000.00	98.86	636.39
	<u>21,763.61</u>	<u>33,600.00</u>	<u>55,363.61</u>	<u>56,000.00</u>	<u>98.86</u>	<u>636.39</u>
BUILDING & SAFETY						
CONTRACT SERVICES	76,991.51	86,100.00	163,091.51	140,000.00	116.49	(23,091.51)
OPERATIONS AND MATERIALS	667.29	473.92	1,141.21	1,600.00	71.33	458.79
	<u>77,658.80</u>	<u>86,573.92</u>	<u>164,232.72</u>	<u>141,600.00</u>	<u>115.98</u>	<u>(22,632.72)</u>
LAW ENFORCEMENT						
CONTRACT SERVICES	392,860.74	1,188,400.00	1,581,260.74	1,584,430.00	99.80	3,169.26
OPERATIONS AND MATERIALS	14,487.90	75,687.10	90,175.00	94,650.00	95.27	4,475.00
	<u>407,348.64</u>	<u>1,264,087.10</u>	<u>1,671,435.74</u>	<u>1,679,080.00</u>	<u>99.54</u>	<u>7,644.26</u>
FIRE & MEDICAL						
CONTRACT SERVICES	327,390.48	1,050,000.00	1,377,390.48	1,436,000.00	95.92	58,609.52
OPERATIONS AND MATERIALS	6,804.46	8,625.00	15,429.46	16,300.00	94.66	870.54
STATION UPGRADES	107,414.43	-	107,414.43	190,000.00	56.53	82,585.57
	<u>441,609.37</u>	<u>1,058,625.00</u>	<u>1,500,234.37</u>	<u>1,642,300.00</u>	<u>91.35</u>	<u>142,065.63</u>
EMERGENCY PREPAREDNESS						
OPERATIONS AND MATERIALS	513.00	15,730.00	16,243.00	9,980.00	162.76	(6,263.00)
	<u>513.00</u>	<u>15,730.00</u>	<u>16,243.00</u>	<u>9,980.00</u>	<u>162.76</u>	<u>(6,263.00)</u>
ANIMAL CONTROL						
CONTRACT SERVICES	86,776.67	109,021.00	195,797.67	197,000.00	99.39	1,202.33
	<u>86,776.67</u>	<u>109,021.00</u>	<u>195,797.67</u>	<u>197,000.00</u>	<u>99.39</u>	<u>1,202.33</u>

**CITY OF CANYON LAKE
MID-YEAR REVIEW - REVENUES AND EXPENDITURES
10 - GENERAL FUND
FISCAL YEAR 2017-18**

	<u>Year-to-Date Actual 31-Dec-17</u>	<u>Projected January to June</u>	<u>Projected FY 2017-18</u>	<u>Amended Budget</u>	<u>% Total of Budget Used</u>	<u>Variance</u>
PUBLIC WORKS ADMINISTRATION						
CONTRACT SERVICES	61,724.50	29,400.00	91,124.50	50,000.00	182.25	(41,124.50)
OPERATIONS AND MATERIALS	-	100.00	100.00	300.00	33.33	200.00
	<u>61,724.50</u>	<u>29,500.00</u>	<u>91,224.50</u>	<u>50,300.00</u>	<u>181.36</u>	<u>(40,924.50)</u>
NPDES						
SALARIES AND BENEFITS	\$ 8,403.79	\$ 2,448.00	\$ 10,851.79	\$ 21,098.00	51.44	10,246.21
OPERATIONS AND MATERIALS	65,453.00	5,200.00	70,653.00	70,300.00	100.50	(353.00)
	<u>73,856.79</u>	<u>7,648.00</u>	<u>81,504.79</u>	<u>91,398.00</u>	<u>89.18</u>	<u>9,893.21</u>
SPECIAL ENFORCEMENT						
SALARIES AND BENEFITS	79,274.61	66,600.00	145,874.61	152,518.00	95.64	6,643.39
OPERATIONS AND MATERIALS	14,305.35	68,137.59	82,442.94	18,930.00	435.51	(63,512.94)
CAPTITAL OUTLAY	-			60,000.00		60,000.00
	<u>93,579.96</u>	<u>134,737.59</u>	<u>228,317.55</u>	<u>231,448.00</u>	<u>98.65</u>	<u>3,130.45</u>
BUILDING & FACILITY						
CONTRACT SERVICES	10,088.63	5,490.00	15,578.63	19,600.00	79.48	4,021.37
OPERATIONS AND MATERIALS	23,249.51	23,108.00	46,357.51	45,680.00	101.48	(677.51)
	<u>33,338.14</u>	<u>28,598.00</u>	<u>61,936.14</u>	<u>69,680.00</u>	<u>88.89</u>	<u>3,343.86</u>
TRANSFERS TO OTHER FUNDS						
	-	-	-	-	-	0
TOTAL EXPENDITURES						
	<u>1,698,075.30</u>	<u>3,128,598.41</u>	<u>4,826,673.71</u>	<u>4,923,848.00</u>	<u>98.03</u>	<u>92,774.29</u>
EXCESS (DEFICIT) REVENUES OVER EXP.						
	<u>\$ (205,460.60)</u>	<u>\$ 276,975.76</u>	<u>\$ 71,515.16</u>	<u>\$ (139,548.00)</u>	<u>(51.25)</u>	

**CITY OF CANYON LAKE
MID-YEAR PROPOSED BUDGET ADJUSTMENTS
FISCAL YEAR 2017-2018 BUDGET ADJUSTMENTS**

<u>Account#</u>	<u>Account Name</u>	<u>Reason for Adjustment</u>	<u>Mid-Year Adj.</u>	<u>Budget FY 2017/18</u>	<u>Mid-Year Adjustment</u>	<u>Adjusted Budget FY 2017/18</u>
GENERAL FUND REVENUES						
10-000-4705	Property Tax VLF Swap	Revenues are higher than anticipated	\$ 27,260	\$ 850,000	\$ 27,260	\$ 877,260
10-000-4100	Sales Tax	Revenues are higher than anticipated	\$ 10,000	\$ 227,000	\$ 10,000	\$ 237,000
10-000-4592	Grant Revenue	EMPG for EOC equipment	\$ 6,950	\$ -	\$ 6,950	\$ 6,950
10-000-4593	Grant Revenue	SHSP CERT Training Grant	\$ 1,653	\$ -	\$ 1,653	\$ 1,653
		Increase in Revenues			\$ 45,863	
		Original General Fund Budget - Revenues			<u>\$ 4,784,300</u>	
		Adjusted General Fund Budget - Revenues			<u>\$ 4,830,163</u>	
GENERAL FUND EXPENDITURES						
<u>City Council</u>						
10-100-6080	Benefits	Workers' Comp costs higher than budgeted	\$ 1,800	\$ 1,540	\$ 1,800	\$ 3,340
10-100-6610	Professional & Specialized Serv.	Polling for UUT	\$ 40,000	\$ 5,000	\$ 40,000	\$ 45,000
<u>City Attorney</u>						
10-200-6610	Professional & Specialized Serv.	Costs are higher than anticipated	\$ 10,000	\$ 70,000	\$ 10,000	\$ 80,000
<u>City Clerk</u>						
10-320-6010	Salaries & Wages	July & August for Ariel October to June for Victoria	\$ 4,725 <u>\$ 13,000</u> <u>\$ 17,725</u>	\$ 55,194	\$ 17,725	\$ 72,919
10-320-6610	Professional & Specialized Serv.	Contract increase for Ariel	\$ 6,800	\$ 5,000	\$ 6,800	\$ 11,800
<u>Fire & Medical</u>						
10-420-6720	Landscape, Maint and Repairs	Lanscaping for fire station	\$ 3,000	\$ -	\$ 3,000	\$ 3,000
10-000-8000	Capital Improvements	Fire Station entry gate/Fencing storage shed	\$ 8,000	\$ -	\$ 8,000	\$ 8,000
<u>Emergency Preparedness</u>						
10-425-6215	EOC Equipment Supplies	Purchase EOC equipment with grant	\$ 6,950	\$ -	\$ 6,950	\$ 6,950
10-425-6710	CERT Training	CERT training offset by SHSP Grant	\$ 1,653	\$ -	\$ 1,653	\$ 1,653
<u>Public Works</u>						
10-510-6610	Professional & Specialized Serv.	Additional costs to cover projects for Public Works	\$ 42,000	\$ 50,000	\$ 42,000	\$ 92,000
<u>NPDES</u>						
10-515-6015	Special Enforcement Salaries	Savings from Jean retiring	\$ (6,500)	\$ 16,714	\$ (6,500)	\$ 10,214
<u>Special Enforcement</u>						
10-520-6015	Special Enforcement Salaries	Savings from Jean retiring	\$ (6,500)	\$ 120,829	\$ (6,500)	\$ 114,329
		Total Budget Adjustments - Expenditures			\$ 124,928	
		Amended General Fund Budget - Expenditures			<u>\$ 4,923,849</u>	
		Adjusted General Fund Budget - Expenditures			<u>\$ 5,048,777</u>	
		Amended General Fund Budget - Suplus			<u>\$ (139,549)</u>	
		Adjusted General Fund Budget - Surplus			<u>\$ (218,614)</u>	

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

TO: Honorable Mayor and Members of the City Council

FROM: Aaron Palmer, City Manager
Elizabeth Martyn, City Attorney

DATE: February 7, 2018

SUBJECT: Public Hearing and Adoption of Resolution No. 2018-06, Declaring 21734 Appaloosa Court to be a public nuisance and ordering and authorizing the City Staff to take the necessary steps to cause abatement of that nuisance

Recommendation:

Staff recommends that the City Council hold a public hearing, determine the best course of action to abate the public nuisance, and approve Resolution No. 2018-06 declaring 21734 Appaloosa Court to be a public nuisance and ordering and authorizing City Staff to take the necessary steps to cause abatement of that nuisance.

Background:

The home located at 21734 Appaloosa Court has been an ongoing issue for the reasons described below. The City continues to receive complaints from neighbors. After many years of trying to work with the property owner and her son, Nancy and Jay Athey, without responsive efforts on their behalf to remedy violations; City Code Enforcement moved forward and served an Inspection Warrant on October 31, 2017. This Inspection was necessary in order to obtain the current status of violations present at the Property.

The inspection warrant confirmed the following hazardous violation:

Based on the following CA State Laws - California State Health & Safety Code 17920.3; California Electric Code 2016 (unpermitted electrical wiring with spliced and exposed connections, presence of wires not terminated in an approved electric box); California Building Code Standards (rooms and wall construction inside both single car garage bay areas, it appears the water heater was relocated, there is no vertical egress from the habitable level with an egress door, illegal and unpermitted grading created undermining of the foundation which now carries an incomplete load path to the ground, causing a rarely seen and significant safety hazard under normal daily conditions amplified when you consider a potential seismic event). Based on Canyon Lake Municipal Code

(hereinafter “CLMC”) - Chapter 8 (Building and Construction, CA Building Codes and Standards with CA Fire Codes); CLMC Chapter 11.20.010 (Public Nuisances) (a)(g)(i)(j)(l).

On October 31, 2017 video footage and photos of the Property were taken to document the structure’s deficits. Upon completion of the inspection, the Subject Property was posted with a Red Safety Assessment Placard indicating it was UNSAFE- Do Not Enter or Occupy based on the facts presented above. The electricity was cut off by Southern California Edison and the Building Official’s Report was delivered to the Property Owner of Record.

The process for declaration and abatement of a public nuisance is set out in Chapter 11.20 for the Municipal Code. According to Chapter 11.20, when staff believes there is a property which constitutes a nuisance because of criteria set out in Municipal Code Section 11.20.010, staff must serve the property owner with a Notice of Public Nuisance and Hearing to Abate. At least 14 days’ notice must be given before the public hearing; in this case, additional time to abate has been given to meet State Code provisions regarding substandard buildings.

Based upon the items in the inspection, a Notice of Public Nuisance and Hearing to Abate was mailed, both regular and certified mail, on December 18, 2017, as required by Chapter 11.20. The property owner has not returned any messages left on her personal and professional cell phone. Staff reached out to her after receiving a notarized document attempting to submit an application for demolition of the structure; however, as of January 31, 2018 the application process is incomplete and no fees for the permit have been paid.

At the hearing, the Council should consider the staff report and all testimony by the owner or other interested parties. The Council should proceed with the hearing even in the absence of the property owner. In addition to determining that the Property constitutes a nuisance, Staff recommends that Council review and determine the most effective (including cost effective) means available to restore or demolish the structure. The recommendation in the Notice was to correct, by either restoration or demolition of the Property within 30 days.

Options that the City Council may consider for the abatement are:

- 1) Court appointed receivership
- 2) Provide the owner additional time to make the required corrections
- 3) Demolish the substandard building
- 4) Board up and fence the property
- 5) Make the necessary improvements

Fiscal Impact:

The cost of abatement for an entire residential structure is currently unknown; however, Staff keeps cost of all costs of abatement and, after notice and hearing, will collect them as a lien or special assessment against the Property.

Attachments:

1. Notice of Public Nuisance and Hearing to Abate
2. Notice of Public Nuisance Abatement
3. Resolution No. 2018-06

NOTICE OF PUBLIC NUISANCE

NOTICE IS HEREBY GIVEN that the real property located at 21734 Appaloosa Court, Canyon Lake, California, more particularly described as:

Legal Description: Lot: 111 Tract No: 3868 abbreviated Description: 047 ACRES NET IN LOT 111 MB 062-041 TR 3868 City/Muni/TWP: CANYON LAKE

is found to constitute a public nuisance subject to abatement by the repair of or demolition of the building or structure situated thereon.

The conditions constituting a public nuisance are the following:

California State Health & Safety Code 17920.3, California Electric Code 2016 (unpermitted electrical wiring with spliced and exposed connections, presence of wires not terminated in an approved electric box), California Building Code Standards (rooms and wall construction inside both single car garage bay areas, it appears the water heater was relocated, there is no Vertical egress from the habitable level with an egress door, the illegal and unpermitted grading created undermining of the foundation and now carries an incomplete load path to the ground, this has caused a rarely seen and significant safety hazard under normal daily conditions but is amplified when you consider a potential seismic event); Canyon Lake Municipal Code (hereinafter "CLMC") Chapter 8 (Building and Construction 8.01 General, 8.02 CA Model Codes, 8.12 CA Fire Codes); CLMC Chapter 11.02.010 (Public Nuisances).

NOTICE IS FURTHER GIVEN THAT said public nuisance must be corrected as described within 30 days from the date of this notice.

If the public nuisance is not properly abated by the owner thereof within said time frame, a hearing shall be held as herein notices:

NOTICE OF HEARING TO ABATE

NOTICE IS HEREBY GIVEN that on the 7th day of February 2018, at the hour of 6:30 P.M or as soon thereafter as the matter may be heard in the City Council Chambers within City Hall, located at 31516 Railroad Canyon Road, Canyon Lake, California, the City Council of the City of Canyon Lake shall conduct a public hearing to set appropriate abatement procedures by the City. Any costs (with interest) incurred by the City shall be assessed upon the property and shall become a lien against the property until paid.

All persons having any objection to, or interest in, this matter may appear at the hearing, at which testimony and other evidence will be taken and given due consideration. Failure to present any and all applicable evidence at this hearing may prevent you from raising it in a subsequent court hearing.

DATED this 19th day of December 2017

CITY OF CANYON LAKE
City Planner

CITY OF CANYON LAKE

31516 Railroad Canyon Road, Canyon Lake CA 92587

Phone: (951) 244-2955 Fax: (951) 246-2022

December 13, 2017

NOTICE OF PUBLIC NUISANCE ABATEMENT Health & Safety Hazards Present

CLMC 11.20.010(d) overgrown, dead, dry vegetation

CLMC 11.20.010(e) litter contributing to health or fire hazard

CLMC 11.20.010(h) rubbish, garbage or junk on private property

CLMC 11.20.010(j) lack of maintenance causing health & safety conditions

CLMC 11.20.010(g) Pool: Hazardous / Green / Vector Control Needed

SUBJECT PROPERTY: 21734 Appaloosa Court, Canyon Lake, CA 92587

Property Owner, Nancy L. Athey,

This property is calendared to be deemed a public nuisance February 7, 2018 by Order of Resolution to be determined.

Upon completion of the inspection conducted October 31, 2017 it was determined that the "Subject Property" must be red tagged, unsafe for habitation, as deemed by CA Health & Safety Code 17920.3. At that time Southern California Edison was contacted to disconnect service to prevent further existence of unsafe electrical conditions.

The subject property remains a public nuisance and violations are scheduled to be cured with fees assessed for the necessary abatement of such violations and this situation requires your immediate attention. You, the property owner of record, need to contact The City of Canyon Lake regarding this property, the City of Canyon Lake is informing you that your occupant must not enter and exit the property without written consent or an escort. Continued violations will result in the issuance of administrative penalties and shall escalate to misdemeanor prosecution if ignored as stated in the Canyon Lake Municipal Codes 8.30.030(a)(3), 8.30.040(a)(b)(c).

The Subject Property there exists any of the following listed conditions to an extent that endangers the life, limb, health, property, safety, or welfare of the public or the occupants thereof shall be deemed and hereby is declared to be a substandard building: California State Health & Safety Code 17920.3, California Electric Code 2016 (unpermitted electrical wiring with spliced and exposed connections, presence of wires not terminated in an approved electric box), California Building Code Standards (rooms and wall construction inside both single car garage bay areas, it appears the water heater was relocated, there is no Vertical egress from the habitable level with an egress door, the illegal and unpermitted grading created undermining of the foundation and now carries an incomplete load path to the ground, this has caused a rarely seen and significant safety hazard under normal daily conditions but is amplified when you consider a potential seismic event); Canyon Lake Municipal Code (hereinafter "CLMC") Chapter 8 (Building and Construction 8.01 General, 8.02 CA Model Codes, 8.12 CA Fire Codes); CLMC Chapter 11.02.010 (Public Nuisances).

As of July 03, 2003, you are the property owner on record, you are therefore required to take all necessary steps to correct the violations present.

CITY OF CANYON LAKE

31516 Railroad Canyon Road, Canyon Lake CA 92587

Phone: (951) 244-2955 Fax: (951) 246-2022

Failure to comply is a violation of California State Health & Safety Code 17920.3, California Electrical Code 2016, California Building Code Standards 2016 and the Canyon Lake Municipal Code Sections 8.01 Building and Construcion General, 8.02 CA Model Codes, 8.12 CA Fire Codes, 11.02.010 Public Nuisances. Our agency will only take steps to pursue administrative action and/or misdemeanor prosecution against the subject property and owner, if steps to alleviate the above stated violations are not corrected.

CANYON LAKE MUNICPLE CODE SECTION 1.01.200 ALLOWS FOR ABATEMENT OF ANY PUBLIC NUISANCE BASED ON NON-COMPLIANCE WITH SPECIAL ASSESSMENT LIENS PLACED ON THE PROPERTY WITH COST RECOVERY FOR THE PUBLIC NUISANCE ABATEMENT

You must contact the Code Enforcement Department **within 3 days of receipt of this notice**. You must contact our office at **(951) 434-4144**.

Sincerely,

*Gina Dickson, 3
Code Enforcement Supervisor
City of Canyon Lake*

RESOLUTION NO. 2018-06

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE
DECLARING 21734 APPALOOSA COURT TO BE A PUBLIC NUISANCE
AND ORDERING AND AUTHORIZING THE CITY STAFF TO TAKE THE
NECESSARY STEPS TO CAUSE ABATEMENT OF THAT NUISANCE

WHEREAS, on FEBRUARY 7, 2018, at a duly noticed public hearing, the City Council of the City of Canyon Lake considered evidence of a public nuisance at the residential property located at 21734 Appaloosa Court, APN: 354-220-004 more fully described as Lot: 111 Tract No: 3868 abbreviated Description: 047 ACRES NET IN LOT 111 MB 062-041 TR 3868 City/Muni/TWP: CANYON LAKE; and

WHEREAS, the City has worked on obtaining voluntary abatement of such nuisance for an exhaustive period of time, but such voluntary abatement has not occurred; and

WHEREAS, such evidence is set out in the staff report for the hearing and in the record of that hearing, which are incorporated into this Resolution; and

WHEREAS, the staff report, and record of the hearing also confirm that notice of such public nuisance and hearing to abate was given to the owner of record of the property as well as to the mortgage holder for the property; and

WHEREAS, based upon the evidence set out in the staff report and record of the hearing, the City Council has determined that the property constitutes a public nuisance pursuant to Chapter 11.20.010 of the City Code; and

WHEREAS, the Council further has determined that the appropriate abatement for the property may be minimal abatement to receivership or demolition, as further determined by Code Enforcement in consultation with the City Council.

NOW, THEREFORE, the City Council of the City of Canyon Lake does resolve, and order as follows:

1. The Recitals set out above are true and correct.
2. For the reasons set out here, in the staff report and in the report of the public hearing, the property located at 21734 Appaloosa Court is declared to be a public nuisance.
3. City staff is authorized to take all necessary actions to cause such nuisance to be abated including but not limited to hiring a company to abate, a receivership (as further approved by the Council and the court), or demolition as approved by the court.
4. The Council further directs that pursuant to the provisions of the City Code, the costs of such abatement, including direct and indirect overhead, after appropriate due process, will be recorded as a lien or special assessment.

PASSED, APPROVED AND ADOPTED this 7th day of February 2018.

Vicki Warren, Mayor

ATTEST:

Aaron Palmer, City Manager/City Clerk

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

I, Aaron Palmer, City Manager/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. 2018-06 adopted by the City Council of the City of Canyon Lake, California, at a regular meeting held on the 7th day of February 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Aaron Palmer, City Manager/City Clerk