



CITY OF REDLANDS

CALIFORNIA

Comprehensive Annual Financial Report

For Year Ended June 30, 2017



Oakmont Park, City of Redlands
Photo by Holzhsr



Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

Redlands' City Council Members

Paul W. Foster, Mayor

Paul T. Barich, Mayor Pro Tempore

Jon P. Harrison, Council Member

Patricia L. Gilbreath, Council Member

Eddie Tejada, Council Member

N. Enrique Martinez, City Manager

Danielle Garcia, Management Services / Finance Director

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CITY OF REDLANDS

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Year Ended June 30, 2017

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MANAGEMENT SERVICES
DEPARTMENT
FINANCE DIVISION

City of
REDLANDS

Incorporated 1888
35 Cajon Street, Redlands, CA 92373

Danielle Garcia
Management Services/Finance
Director

Farrah Jenner
Assistant Finance Director

January 31, 2018

To the Members of the City Council and Citizens of the City of Redlands:

It is the policy of the City of Redlands to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Redlands (“the City”) for the Fiscal Year ended June 30, 2017.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Vavrinek, Trine, Day & Co. LLP, an independent firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the Fiscal Year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the Fiscal Year ended June 30, 2017, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City’s internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors

PROFILE OF THE GOVERNMENT

The City of Redlands, incorporated in 1888, is located 63 miles east of Los Angeles, 110 miles north of San Diego, and 500 miles southeast of San Francisco. It lies within the San Bernardino Valley in the southwestern portion of San Bernardino County, covering an area of 36 square miles, within the heart of the Inland Empire. It serves a population of 69,211 residents.

The City was incorporated under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. It is a municipal corporation governed by a five-member city council in which all policy-making and legislative authority is vested. The City Council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is the chief administrative officer of the City and as such is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing department heads. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with elections occurring every two years. The mayor is currently elected by a majority vote of the Council.

The City provides a full range of services, including police and fire protection, animal control, emergency medical aid, building safety regulation and inspection, street lighting, landscaping, sewer and water utilities, solid waste collection and disposal, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement, and a full range of recreational and cultural programs for citizen participation, as well as being the home of the historic A. K. Smiley Public Library.

The annual budget serves as the foundation for the City's financial planning and control. Prior to the beginning of the Fiscal Year, the City Manager submits a budget for the upcoming year to the City Council. Public hearings are held before final approval of the budget. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds are included in the annual budget. The level of control (level at which expenditures may not exceed budget) is the fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end; however encumbrances are re-appropriated each year by separate action of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. City of Redlands' economy is based largely in the service and trade sectors (health care, retail trade, government, and education) and light manufacturing. The region has a varied manufacturing and industrial base that has added to the relative stability of the unemployment rate over the years. However, during the downturn in the economy, the unemployment rate rose to a high in 2010 of 10.5%, declining in the following years to reach 4.7% by 2014. In 2015, the unemployment rate decreased again to 3.0% and for 2016 it was up slightly at 3.3%. Redlands' unemployment rate remains lower than its neighboring communities. Since 2005, the annual unemployment rate for the City has ranged from a low of 3% to a high of 10.5%.

The City has land available for industrial/commercial/office use with only a portion of these areas utilized. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, electrical controls, furniture manufacturing, and automobile component manufacturers, and several financial and insurance institutions. Major employers in the City, or within the vicinity, include the Redlands Unified School District, Esri (Environmental systems research institute), Redlands Community Hospital, Amazon Fulfillment Center, Beaver Medical Group, Home Depot, City of Redlands, the University of Redlands, La Z-Boy, Inc., Loma Linda University Behavioral Medical Center. A number of large warehouse distribution centers were developed in past years in County "pocket" areas completely surrounded by the City. Some of those major County pocket employers include Burlington Coat Factory Distribution Center, Kohl's Retail Store and Caddo Hardware, with each providing additional job opportunities to the community.

The City's property tax base had showed steady growth from Fiscal Year 2000-2001, increasing from \$3.2 billion in that year to \$7.6 billion in Fiscal Year 2008-2009. However, starting in the the 2009-2010 tax roll, the City of Redlands experienced a net taxable value decrease of 6.3% over the next three fiscal years until the 2012-2013 tax roll when net taxable value began to regain ground. After three years of decreases, the City experienced net taxable value increases over each of the following five years respectively starting in Fiscal Year 2012-2013:

- FY 2012-2013 - 3.2%
- FY 2013-2014 - 2.7%
- FY 2014-2015 - 5.5%
- FY 2015-2016 - 5.1%
- FY 2016-2017 - 5.6%.

The following land use categories experienced the most significant increases in assessed value increase between the prior Fiscal Year (2015-2016) and 2016-2017:

- Industrial – 31% growth
- Miscellaneous – 11% growth
- Residential – 5.4% growth

The housing market continued to improve in 2016-2017. During this time, 65.4% of properties in the City awaiting restoration of value due to Proposition 8 have been fully restored. Overall, the median detached single family residence is at 8.1% below its historical peak in 2006.

Representing development efforts that started in fiscal years 2014/2015 and continuing into 2015/2016, several new additional tenants have opened for business during fiscal year 2016/2017 in the Mountain Grove Shopping Center:

- Shiki Sushi, Teppan Sports Bar & Grill, Miguel's Jr. Mexican Food, Nektar Juice Bar, Sport Clips Haircuts, and Bespoke Cut and Sew custom hat company.

In addition to the Mountain Grove project, there were many other notable additions to the business landscape, including the expansion of the Amazon Fulfillment Center by 1,000 new

full-time associate positions; the grand re-opening and re-branding of Greensleeves Steakhouse by new owners (formerly Joe Greensleeves which closed due to a fire several months earlier); new investments by Redlands Chrysler Dodge Jeep Ram in the Redlands Auto Plaza to renovate and expand showrooms, retail parts storefront, and customer parking; and Prologis LP made significant investments in fixtures and building improvements in its distribution facility, resulting the largest net taxable property value increase during FY 2016-17 (\$44.1 million).

New businesses that opened in fiscal year 2016/2017 also included:

- Five Below, a discount shop; Knitworks, a 2,200 square-foot yarn store; and CRAFT'D Beer Store, an on-demand beverage delivery service.
- Two new restaurants also opened: Cheesewalla, and grilled cheese specialty walk-up café and Red Panka, a franchised Peruvian fusion restaurant.

During FY 2016-17, many development projects were started that will positively impact sales tax and property tax bases in the City. These projects include:

- The Packing House District / Packing Plant – designed to provide 12,000 square feet of retail space, a Sprouts supermarket, a PetSmart, and significant civic and communal space (fire pits, edible demonstration garden, public art and historical/agricultural educational displays).
- Hilton Home2 Suites - A new hotel with 77 guest rooms, approximately 44,540 sq. ft. of floor area, parking lot, and related site improvements on a vacant 1.67 acre lot.

In support of the community, the Municipal Utilities and Engineering Department (MUED) embarked on a number of transportation projects during Fiscal Year 2016-2017. Since the PARIS program's inception in 2013, 320 lane miles of streets have been paved. In addition to the street resurfacing projects, MUED has also managed projects related to the City's Interstate-10 Gateway Beautification Project, which included the construction and installation of gateway monuments, ornamental fencing, and replanting of existing landscaping with drought tolerant varieties in the areas near the on- and off-ramps of I-10 in downtown Redlands at Sixth Street, Orange Street and Eureka Street. As well, MUED oversaw the construction of off-site street improvements for the City's newest park, Heritage Park, which provided curb and gutter, on-site channel restoration and the construction of a retention basin. In terms of non-motorized transportation, MUED has installed or replaced over 37,600 square feet of sidewalk, 300 linear feet of curb and gutter improvements, 15 lane miles of bike lanes, as well as 2.2 miles of new trails.

In addition to the transportation projects undertaken by MUED, the Quality of Life Department contributed significant efforts in improving essential infrastructure in streets and other general infrastructure. The streets division removed and replaced approximately 4,250 square feet of sidewalk and 337 linear feet of curb and gutter at 42 locations. In addition to this, the division also removed two failed storm drain systems, designing and reconstructing new systems in-house to improve conveyance during storm events. The citrus division completed the design and planting of two new City-owned Citrus Groves: the West Riverview grove—4.8 acres and the West Redlands Gateway Grove (Best property)—6.9 acres. The Hillside Memorial Cemetery introduced a variety of outer burial container options in Fiscal Year 2016-17 to meet the needs of families served. Also, an ongoing property inventory verification project has been initiated in an effort to identify useable spaces located in the historic north end of the cemetery. Staff has identified close to 70 usable spaces to place on sale since the project started. The sales of those newly identified spaces have generated over \$70,000 in additional revenue for Fiscal Year 2016-17. Through these and other efforts, the cemetery achieved continued revenue growth of over 20% from the prior fiscal year, contributing to fiscal sustainability.

The City of Redlands Redevelopment Agency – and all redevelopment agencies in California – were dissolved under AB1X 26 (and subsequently AB1484), effective as of February 1, 2012,

and the City of Redlands, as “Successor Agency,” assumed responsibilities for winding down the operations of the Redevelopment Agency. As such, the Successor Agency for the former Redevelopment Agency for the City of Redlands has the responsibility of paying off existing debts and obligations including the disposal of all assets and properties of the former Redevelopment Agency. The City of Redlands elected not to assume the responsibility for administering the former Redevelopment Agency’s housing functions.

To date, the Successor Agency has complied with the requirements of AB1X 26/AB and 1484 by submitting its Enforceable Obligation Payment Schedule (EOPS), Recognized Obligation Payment Schedules (ROPS), and other required documents. Successor Agency and City staff continue to respond to the ever-changing requirements of the State of California Department of Finance (DOF) and were notified pursuant to a letter from the Attorney General, dated August 25, 2014, that the DOF concurs that a loan of \$3,157,400 made from the City to the Successor Agency in July, 2012, was for enforceable obligations of the Successor Agency from July 2012 through December 2012, including the principal and interest on tax allocation bonds which were due on August 1, 2012. That loan was repaid in full by the Successor Agency in fiscal year 2014/2015.

On September 8, 2015, the DOF approved the Successor Agency’s Long-Term Property Management Plan. Since that time the Successor Agency has transferred ownership of properties designated for a governmental purpose to the City and has been actively working towards disposing of those properties not specified for a governmental purpose in accordance with this Plan. Further discussion about the Successor Agency can be found in Note 14 of the Notes to the Basic Financial Statements.

Long-term financial outlook/planning. Prior to, and over the last decade, the City has faced financial challenges as a result of the State Budget crisis, increases in PERS rates, increases in employee contracts, and employee retirements, and in recent years, faced the impacts associated with the greatest downturn in our economy that had been seen in years. The City remained focused on financial policy decisions to balance the budget, establish minimum reserve levels, as well as to review service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City’s General Fund achieve net increases in its fund balance in Fiscal Years 2006-2007, by \$1.4 million 2007-2008, by \$1.9 million and 2008-2009 by \$3.7 million. In the fall of Fiscal Year 2008-2009, the City Council, the City Manager, and the executive staff examined the potential impacts the downturn in the economy would have on the City, particularly as a result of a significant decline in sales tax revenue and a slowdown in development activity. Departmental budgets were reduced wherever possible and an early retirement incentive program was established, along with a furlough program for all employees that began during the second half of Fiscal Year 2008-2009. Despite the positive outcome to Fiscal Year 2008-2009, the City continued to face challenges in Fiscal Year 2009-2010 as a result of the poor economic climate and continued declines in sales taxes and development revenues, along with declines in property taxes, franchise fees, and other taxes. With continuation of the furlough program, continued emphasis on reducing expenditures, and some better than expected revenues, the General Fund Unreserved (unassigned) Fund Balance reached \$5.8 million by the end of Fiscal Year 2009-2010, exceeding projections by \$1.25 million.

In Fiscal Years 2010-11 and 2011-12, the furloughs continued and vacancies in the Police department and other changes in positions and staffing levels resulted in savings, that together with other cost-saving measures, resulted in an unassigned fund balance in the General Fund of \$6.8 million at June 30, 2011 and \$7.8 million at June 30, 2012. The General Fund’s ending unassigned fund balance grew to \$8.4 million in Fiscal Year 2012-2013.

Despite improvements seen in the economy during Fiscal Year 2013-2014, the City did not falter in its efforts to monitor expenditures and make reductions where possible. By the end of Fiscal Year 2013-2014, or shortly thereafter, the City Council had worked with outside counsel to negotiate with the City's bargaining units to achieve immediate and future salary and benefit savings for the City, through agreements with employees to share in contributions towards retirement and health benefits. As a result of these and other cost-saving efforts, as well as improvements in the economy that translated into improved revenues, the General Fund ending unassigned fund balance at June 30, 2014 reached \$10.8 million and at June 30, 2015 the unassigned fund balance had climbed to \$12.5 million, despite adding over \$2.6 million to various reserves and fund balance assignments.

During Fiscal Year 2015-2016, over \$748,000 was added to reserves and various fund balance assignments. This, together with higher-than-expected increases to reserves, had the effect of reducing the unassigned fund balance to \$11.4 million

With continued cost-savings and a steady economy, the General Fund reported unassigned fund balance of \$11.6 million. Further review of the General Fund is included within Management's Discussion and Analysis which follows the independent auditor's report.

In its on-going effort to determine how best to lead the City into the future, the City Council held a strategic planning workshop in January, 2014, in which they confirmed goals/focus themes for the City of Redlands. Following a year-long effort to develop a strategic plan that would move the City forward in a way that would be most advantageous to its residents and the community at large, the City Council approved the 2014-2017 Strategic Plan dated July 1, 2014, in which it identified the following five priority focus areas: fiscal accountability, economic development, infrastructure, land resource management, and safety and economic services. The final progress report was presented to City Council on July 5, 2017. In it, 82% of the planned objectives and associated tasks were reported as either completed or in progress. Although progress in some areas of the Plan have been continued, it is staff's intent to carryover many of these supporting objectives and associated tasks into the 2017-2020 Strategic Plan.

A Special Workshop of the City Council will be scheduled in February 2018 to discuss the development of the 2017-2020 Strategic Plan. Staff will be prepared to present initial objectives and associated tasks for the City Council's consideration. The City Council will also have the opportunity to discuss and include additional objectives to the Plan.

A significant undertaking and key priority in the Strategic Plan includes update of the City's General Plan. During fiscal year 2016/2017, significant progress has been made on this effort, with the final plan approval on December 5, 2017. The conceptual visioning phase resulted in the adoption of overarching themes for the general plan that will serve to frame concepts and ideas for growth. During this time, both preliminary draft General Plan Chapters and public review draft General Plan Chapters were produced, the draft Land Use Map was completed, a draft Climate Action Plan was developed, the revised draft General Plan was compiled, and a Draft Environmental Impact Report for the General Plan Update and Climate Action Plan was assembled and published.

General Plan Themes

- **Connected City**
- **Livable Community**
- **Prosperous Economy**
- **Vital Natural Environment**
- **Distinctive City**
- **Healthy Community**

As part of fiscal accountability, the Strategic Plan identifies the sustainability of the City's various enterprise funds. In 2015, the City Council adopted a business plan for one such enterprise, Hillside Memorial Park Cemetery. The business plan introduced a financing model and various new products and services designed to modernize operations of the cemetery, making it competitive with other memorial parks in the region and reverse decades of financial deterioration that saw Hillside cemetery running a consistent deficit in revenue to operating expenses. The business and financial plan included a recommendation to borrow cemetery endowment monies to fund some of these recommended improvements. At June 30, 2017, the Cemetery had borrowed \$667,905 from the Cemetery Endowment for these efforts.

Another enterprise fund considered in the Strategic Plan was the Redlands Municipal Airport. On July 19, 2016, the City Council adopted the Redlands Municipal Airport Business Plan. The purpose of the Business Plan is to assess potential means to improve the Airport's financial position, economic development, and operations. The Business Plan is a strategic effort that provides the vision to guide subsequent studies such as updates to the Master Plan and Airport Land Use Compatibility Plan (ALUCP). Consequently, the Business Plan was commissioned as a precursor to updating the Master Plan and Airport Land Use Compatibility Plan. This plan outlines financial performance targets, operational improvements, and capital improvement projects at the Airport.

Another key priority identified in the Strategic Plan under infrastructure, and as one of its important long term initiatives, is the continual effort by the City of Redlands to embrace technology at a rapid pace to achieve efficiency in service delivery. Representative of this effort is the City Council's Five-Year Information Technology (IT) Master Plan, which resulted from a comprehensive and thorough assessment of the City's existing technology infrastructure, operational requirements and service delivery needs. The IT Master Plan provides a set of initiatives and priorities for categories such as, IT Infrastructure, Data Security, Mobile Computing, and Best Practices. In keeping with the City Council's promotion of these efforts, funds are directed towards IT Master Plan projects each year from the Department of Innovation and Technology's operating budget. Originally in April, 2013, the IT Master Plan set forth 103 such initiatives. Because the Plan's success depends on continual updates, expansion and revisions, there are now 154 initiatives. Of these, 137 or 90%, are marked as either completed, in progress, or have been funded in the current fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Redlands for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance department. Special recognition is due to Assistant Finance Director, Farrah Jenner; Fiscal Manager, James Garland; and Senior

Accountants, Denise Camarillo and Marie Dautin, for their efforts in overseeing the compilation of the accounting data and interfacing with our auditors; and to the accounting firm of Vavrinek, Trine, Day & Co. LLP, and to the City Manager's Office. Credit also must be given to the City Manager, Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Danielle Garcia', with a stylized flourish at the end.

Danielle Garcia
Management Services / Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Redlands
California**

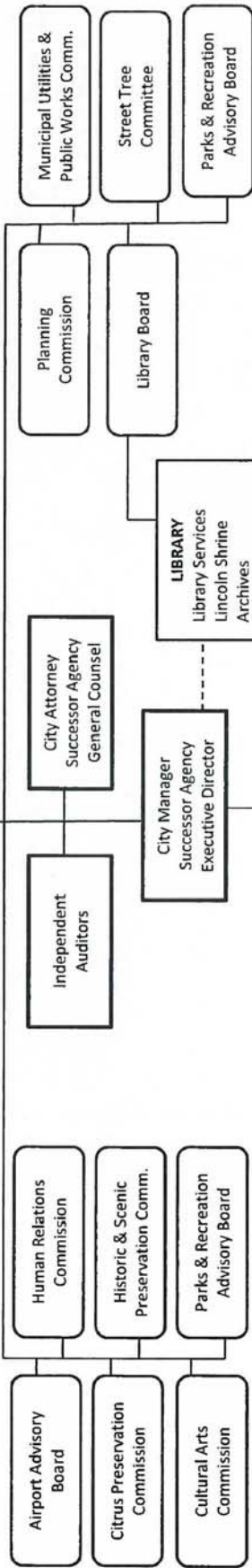
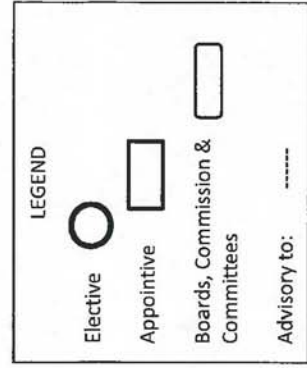
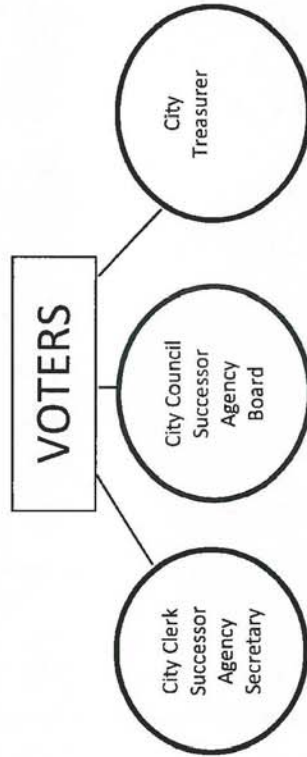
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Redlands, CA
 Organizational Chart
 Approved By: *N. Enrique Martínez*
 N. Enrique Martínez, City Manager
 Effective July, 2017



OFFICE OF THE CITY MANAGER

- Administration
- Budget
- Emergency Operations Mgmt.
- Disaster Preparedness
- Public Information Office
- Media Unit / Redlands TV
- Public Information
- Purchasing / Stores

DEVELOPMENT SERVICES

- Building & Safety
- CDBG
- Economic Development
- Environmental Review
- One Stop Permit Center
- Planning (current and long range)

MANAGEMENT SERVICES

Division of Innovation & Technology

- Information Management Systems
- GIS, Client Services, Operations
- Organizational Efficiency (PATH)

Finance

- Accounting
- Budget
- Business License
- Customer Service
- Debt Management
- Internal Audit
- Payroll
- Receivables
- Revenue Collection

FIRE

- Emergency Medical Services
- Fire/Arson Investigations
- Fire Prevention
- Fire Suppression
- Household Hazardous / E-Waste

HUMAN RESOURCES / RISK MANAGEMENT

- Benefits Administration
- Employee & Labor Relations
- Employee Services
- Liability & Claims Administration
- Recruitment & Selection
- Safety Administration
- Training
- Volunteer & Intern Resources
- Worker's Compensation Admin.

POLICE

- Air Support Unit
- Animal Control
- Community Policing Bureau
- Investigations Bureau
- Patrol Services Bureau
- Professional Standards
- Special Operations Bureau
- Support Services
- Traffic and Special Events

MUNICIPAL UTILITIES & ENGINEERING

- Construction
- Engineering
- One Stop Permit Center
- Water
- Wastewater

QUALITY OF LIFE

- Airport
- Building Maintenance
- Cemetery
- Citrus Groves
- Code Enforcement
- Electrical
- Equipment Maintenance
- Parks
- Recreation & Senior Services
- Solid Waste
- Streets
- Street Maintenance
- Street Trees
- Sustainability

CITY OF REDLANDS, CA

PRINCIPAL OFFICERS

AS OF JUNE 30, 2017

CITY COUNCIL (Elected)	Paul W. Foster, Mayor Paul T. Barich, Mayor Pro Tem Patricia L. Gilbreath, Councilmember Jon P. Harrison, Councilmember Eddie Tejada, Councilmember
CITY MANAGER	N. Enrique Martinez
CITY CLERK (Elected)	Jeanne Donaldson
CITY TREASURER (Elected)	Robert Dawes
CITY ATTORNEY	Daniel J. McHugh
DEVELOPMENT SERVICES DIRECTOR	Brian Desatnik
FIRE CHIEF	Jeff L. Frazier
HUMAN RESOURCES/RISK MANAGEMENT DIRECTOR	Amy Martin
LIBRARY DIRECTOR	Donald McCue
MANAGEMENT SERVICES/FINANCE DIRECTOR	Danielle Garcia
MUNICIPAL UTILITIES & ENGINEERING DIRECTOR	Chris Diggs
POLICE CHIEF	Mark Garcia
QUALITY OF LIFE DIRECTOR	Christopher Boatman

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redlands, California (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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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 on pages 5 through 20, the budgetary comparison schedules on pages 87 through 89, the schedule of changes in the net pension liability and related ratios of the agent multiple-employer pension plan on page 90, the City's proportionate share of the net pension liability of the cost-sharing pension plan on page 92, schedule of contributions on pages 91 and 93, the schedule of funding progress of the other post-employment benefit plan on page 94 and the notes to the required supplementary information on page 95 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

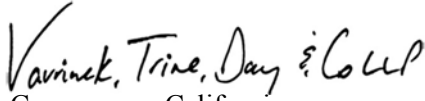
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Rancho Cucamonga, California
January 31, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained in the Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the City of Redlands financial activities and performance for the fiscal year ended June 30, 2017. Please read the MD&A in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual CAFR consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water system.
 - *Fiduciary fund* statements provide information about fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City’s Government-wide and Fund Financial Statements

	Fund Statements			
	Government-wide Statements	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow of resources, deferred inflow of resources, and liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City’s fiduciary funds do not currently contain capital assets, although they can
Type of financial inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and its changes. You can think of the City's net position – the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position may be one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, City services are divided into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.

Reporting the City's Most Significant Funds

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

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *current-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation on the page following the fund financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) *are part of* the business-type activities we report in the government-wide statements but provide more detail and additional information for proprietary funds, such as statement of cash flows. The City’s internal service funds (the other component of proprietary funds) reports activities that provide supplies and services internally to other City departments and programs.

Reporting the City’s Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Statement of Net Position

The following is a condensed Statement of Net Position for the fiscal years ended June 30, 2017 and June 30, 2016, which allows for analysis of the City’s net position as a whole.

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other Assets	\$ 66,882,329	\$ 66,797,617	\$ 81,899,684	\$ 72,696,459	\$ 148,782,013	\$ 139,494,076
Capital Assets	645,128,565	624,775,790	173,551,263	181,470,130	818,679,828	806,245,920
Total Assets	712,010,894	691,573,407	255,450,947	254,166,589	967,461,841	945,739,996
Deferred Outflows of Resources - Pension	19,691,409	7,520,554	4,619,769	1,609,959	24,311,178	9,130,513
Long-Term Debt outstanding	153,192,534	122,903,513	74,818,386	69,570,579	228,010,920	192,474,092
Other Liabilities	14,980,129	12,933,008	4,474,800	4,351,371	19,454,929	17,284,379
Total Liabilities	168,172,663	135,836,521	79,293,186	73,921,950	247,465,849	209,758,471
Deferred Inflows of Resources - Pension	3,680,873	7,675,260	848,963	1,332,898	4,529,836	9,008,158
Net Position						
Net Investments in Capital Assets	642,109,428	622,119,006	149,771,777	163,565,980	791,881,205	785,684,986
Restricted	11,100,669	15,258,535	17,399,398	3,702,600	28,500,067	18,961,135
Unrestricted	(93,361,330)	(81,795,361)	12,757,392	13,253,120	(80,603,938)	(68,542,241)
Total Net Position	\$ 559,848,767	\$ 555,582,180	\$ 179,928,567	\$ 180,521,700	\$ 739,777,334	\$ 736,103,880

Net position over time may serve as a useful indicator of a government’s financial position. Table 1 shows that the net position of the government-wide activities increased by \$3,673,454 or 0.5%, from \$736,103,880 in 2016 to \$739,777,334 in 2017. Governmental Activities net position increased by 0.8%, from \$555,582,180 at June 30, 2016 to \$559,848,767 at June 30, 2017. The City’s net position of business-type activities decreased by 0.3% from \$180,521,700 in 2016 to \$179,928,567 in 2017.

Total Primary Government

- Again, this year, the largest portion of total assets consists of capital assets (i.e., land, infrastructure and equipment), totaling \$818.7 million or 85% of total assets. These are detailed in Note 4 of the financial statements.
- Net investment in Capital Assets of \$791.9 million represents the City's investment in infrastructure and other capital assets, net of the debt issues to construct or acquire those assets.
- Cash and investments comprised of \$122.9 million in the City treasury and \$5.5 million of restricted cash and investments held with fiscal agents. These are detailed in Note 2 of the financial statements
- Receivables, totaling \$18.1 million, consist of accounts and taxes receivable, as well as the funds awaiting draw down on a previously issued loan.
- Restricted net position, totaling \$28.5 million, represents resources that are subject to restrictions on how they may be used. Some funds are restricted to funding construction of specific capital projects, to service debt obligations, to hold in trust as an endowment, or for other specific uses.
- The amount of (\$80,603,938) represents the unrestricted net position deficit, mostly resulting from the recognition of the net pension liability in accordance with GASB 68. Additional details can be found in Note 8.
- Overall investment in capital assets, net of related debt, increased by 1.8%. It should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves generally are not used to liquidate these liabilities.

Governmental Activities

- Receivables, totaling \$5.1 million, consists mainly of taxes receivable at \$4.5 million, with the remaining \$0.6 million in accounts receivable.
- The net position resulting from governmental activities increased slightly by 0.8%, remaining relatively consistent.
- This year, there was an increase of \$30.3 million in long-term outstanding debt, due mainly to increases in net pension liability, claims payable, compensated absences and increases in other post-employment benefit obligations. No new contractual debt was issued by the City for Governmental Activities. There are more details available in Note 5 of the financial statements.
- Total investment in capital assets remained relatively consistent, with an increase of 3.2%.

Business-Type Activities

- The net position resulting from business-type activities decreased slightly by 0.3%.
- Total capital assets of \$173.5 million represent 21.2% of total assets citywide.
- Receivables, totaling \$12.9 million, represent an increase of approximately 100% from the prior year. This is due mainly to a one-time receivable in the amount of \$6 million in the form of a loan awaiting draw down. The balance consists predominantly of accounts receivable of \$6.8 million (which is consistent with prior year figures), with only \$234 attributed to taxes receivable.
- This year, there was an increase of \$5.2 million in long-term debt, due mainly to increases in net pension liability and increases in other post-employment benefit obligations. More details are available in Note 5 of the financial statements.
- Total net investment in capital assets decreased by 8.4%.

The Statement of Activities reports increases and decreases in the net position. The following is a condensed Statement of Activities for the fiscal years ending June 30, 2017 and June 30, 2016:

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for services:	15,046,922	14,198,770	47,351,982	43,402,538	62,398,904	57,601,308
Operating grants and contributions	2,911,259	5,596,864	-	-	2,911,259	5,596,864
Capital grants and contributions	2,257,370	1,346,021	816,777	392,189	3,074,147	1,738,210
General Revenues						
Property taxes	28,173,741	26,424,395	40,199	38,109	28,213,940	26,462,504
Sales taxes	16,843,090	18,344,596	-	-	16,843,090	18,344,596
Franchise taxes	3,035,317	3,079,571	-	-	3,035,317	3,079,571
Other taxes	1,977,985	1,792,527	-	-	1,977,985	1,792,527
Use of money & property	212,991	800,889	500,783	1,335,997	713,774	2,136,886
Other	7,331,734	1,105,258	4,627,943	2,911,966	11,959,677	4,017,224
Gain/(loss) on sale of capital assets	-	-	-	-	-	-
Intergovernmental (unrestricted)	196,602	234,787	-	-	196,602	234,787
Total Revenues	77,987,011	72,923,678	53,337,684	48,080,799	131,324,695	121,004,477
Program Expenses						
General government	14,391,456	16,235,478	-	-	14,391,456	16,235,478
Public safety	43,263,363	42,097,211	-	-	43,263,363	42,097,211
Culture and recreation	4,086,880	3,542,242	-	-	4,086,880	3,542,242
Highway and streets	11,271,259	15,594,075	-	-	11,271,259	15,594,075
Library	2,304,552	2,023,972	-	-	2,304,552	2,023,972
Interest on Long-Term Debt	936,132	1,123,871	-	-	936,132	1,123,871
Water	-	-	20,514,340	21,635,151	20,514,340	21,635,151
Disposal	-	-	12,274,583	12,172,640	12,274,583	12,172,640
Sewer	-	-	8,979,254	8,956,871	8,979,254	8,956,871
Groves	-	-	785,348	841,529	785,348	841,529
NP Water	-	-	75,761	81,152	75,761	81,152
Cemetery	-	-	742,740	1,304,891	742,740	1,304,891
Aviation	-	-	434,912	609,088	434,912	609,088
Total Expenses	76,253,642	80,616,849	43,806,938	45,601,322	120,060,580	126,218,171
Increase in Net Position Before						
Transfers	1,733,369	(7,693,171)	9,530,746	2,479,477	11,264,115	(5,213,694)
Transfers	2,500,914	4,486,199	(2,500,914)	(4,486,199)	-	-
Increase (Decrease) in Net Position	4,234,283	(3,206,972)	7,029,832	(2,006,722)	11,264,115	(5,213,694)
Beginning Net Position	555,582,180	560,085,769	180,521,700	182,528,422	736,103,880	742,614,191
Restatement of Net Position	32,304	(1,296,617)	(7,622,965)	-	(7,590,661)	(1,296,617)
Ending Net Position	559,848,767	555,582,180	179,928,567	180,521,700	739,777,334	736,103,880

Total Primary Government

- Total Governmental Activities revenues for fiscal year 2016/2017 increased by 8.4%. This growth is mainly attributed to significant increases in revenue from charges for services in the Water fund of \$3.6 million and in the “Other” category of general revenues of just over \$6 million, due entirely to land sale proceeds from one-time property sales.
- Property tax revenue increased from fiscal year 2015/2016 by 6.6%, indicating positive trends in Proposition 8 value recapture and CPI growth.
- Sales tax revenue indicates that an 8.2% decrease (\$1.5 million) occurred when compared to prior year. This decrease is the result of previous one-time revenue fiscal year 2015/2016 of approximately \$2.4 million that marked the last “Triple Flip” payment from the State. Notwithstanding this item, regular sales and use tax actually significantly increased by 14% (from roughly \$14.8 million to \$16.8 million).

- Total expenses for the City decreased in fiscal year 2016/2017 by \$6.2 million. This decrease is mainly attributed to lower expenditures in general government, public safety, highways and streets, the Water Fund, Hillside Memorial Cemetery and the Aviation division.
- Transfers between governmental activities and business-type activities decreased by \$2 million. This is mainly attributed to above average transfers during fiscal year 2015-2016 for expenditures related to the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) program (approximately \$1.7 million) as well as storm drain, street and ADA sidewalk construction.

Governmental Activities

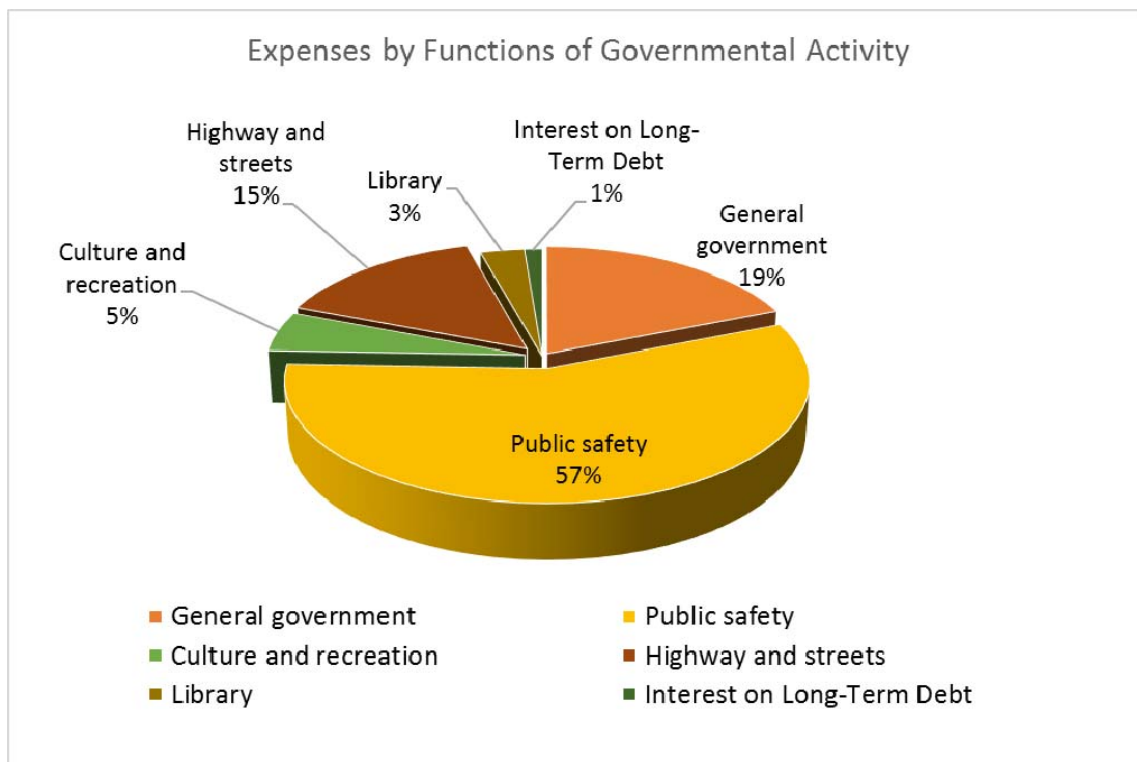
- Overall, total revenues increased in fiscal year 2016/2017 by \$5 million, or 6.8%.
 - These increases were attributed to positive growth in property taxes, charges for services, and one-time land sale proceeds – all of which were partially offset by a \$2.7 million decrease in capital and operating grants and contributions.
- General government expenses decreased significantly over fiscal year 2015/2016 expenses, by \$4.5 million or 5.6%. These decreases are partly attributed to:
 - Lower costs of retiree healthcare and salary savings within the general government category and;
 - Fewer costs in the highways & streets category due to the completion in the prior year of Phases I & II of the Orange Blossom Trail and fewer expenditures on street replacement
- In contrast to the decreases in expenses for general government and highways & streets, other programs experienced increases: public safety increased by \$1.04 million, or 2.5%, culture & recreation spending increased by \$0.54 million, or 15.2%, and library expenses increased by \$0.3 million, or 13.5%.

Business-Type Activities

- Overall, ending net position for the business-type activities decreased by \$0.6 million, or 0.3%.
- Comparing fiscal year 2015/2016 and fiscal year 2016/2017, total revenues increased by \$5.3 million, or 11%.
 - The increase in revenues is mainly attributable to higher revenue received from charges for services \$4 million, increased capital grants and contributions of \$0.4 million and an increase of \$1.7 million in other revenues.
 - These increases were offset by a reduction of approximately \$0.8 million in revenues from the use of money and property.
 - Increased revenue from charges for services in the amount of \$3.6 million occurred predominantly within the water fund, where state mandated restrictions on water use were relaxed during the year, and as a result, water use increased.
 - In July, 2016 the state lifted the mandated water conservation targets on water agencies, but requires still require implementation of restrictions based on ability to meet customer demand.
 - Another significant increase in revenues was seen in the Cemetery fund. Although much smaller, this increase of roughly \$0.3 million represents a little more than 51% of the fund's total revenues in the prior year, reflecting improvements from the implementation of a newly adopted Cemetery Business Plan.

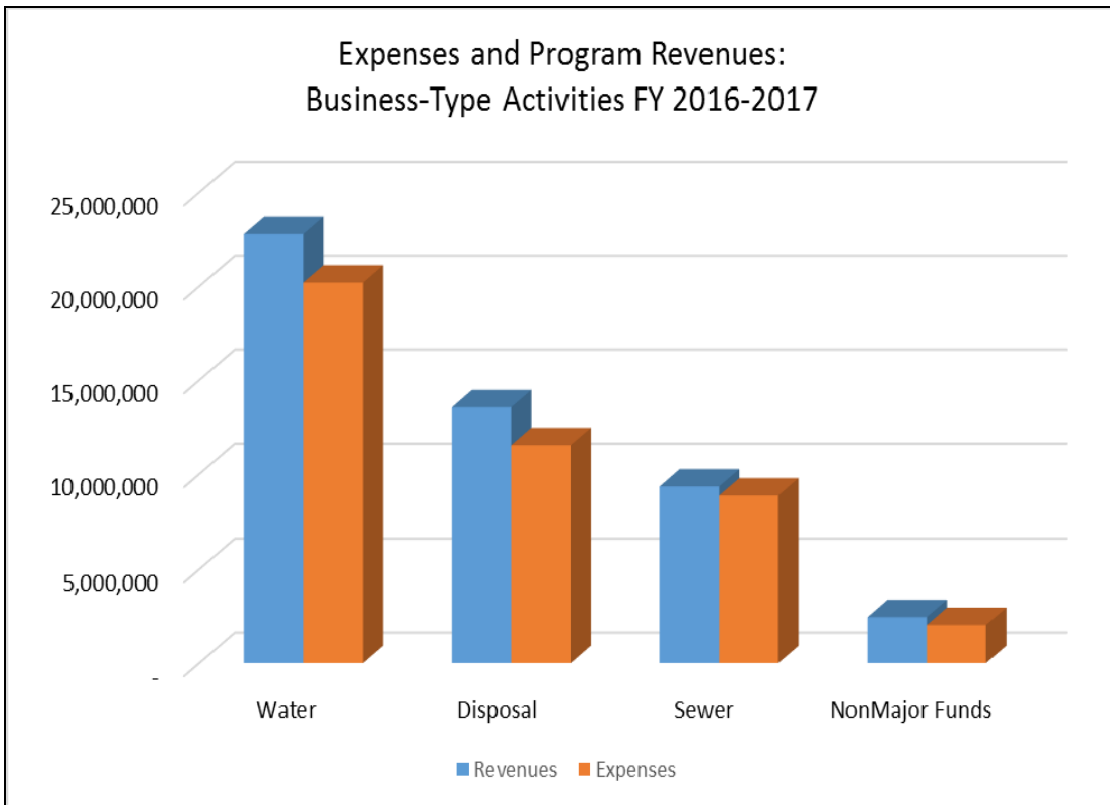
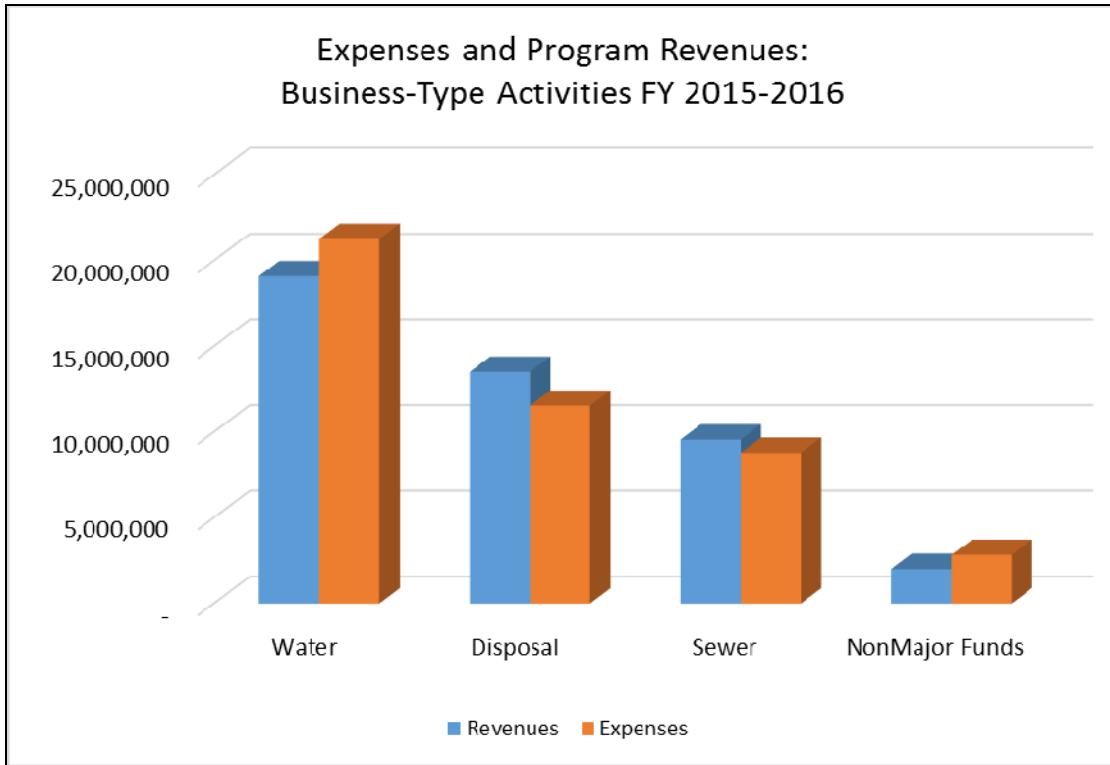
- Expenses decreased from fiscal year 2015/2016 levels by \$1.8 million, or 4%. The programs with the largest decrease in expenses were the Water fund, the Hillside Memorial Cemetery and the Aviation division, at decreases of \$1 million, or 5.2%; \$0.6 million, or 43%; and \$0.2 million, or 29% respectively.
 - Decreases in expenses in the Water fund can be attributed to reduction in contractual services and supplies expense of \$2.4 million, offset by increases in depreciation expense of \$0.8 million and of \$0.6 million in personnel costs.
 - Decreased expenses for Hillside Memorial Cemetery were attributed lowered costs of contractual services (formerly administration and general expenses) of \$0.6 million.

Expenses by Function of Governmental Activity



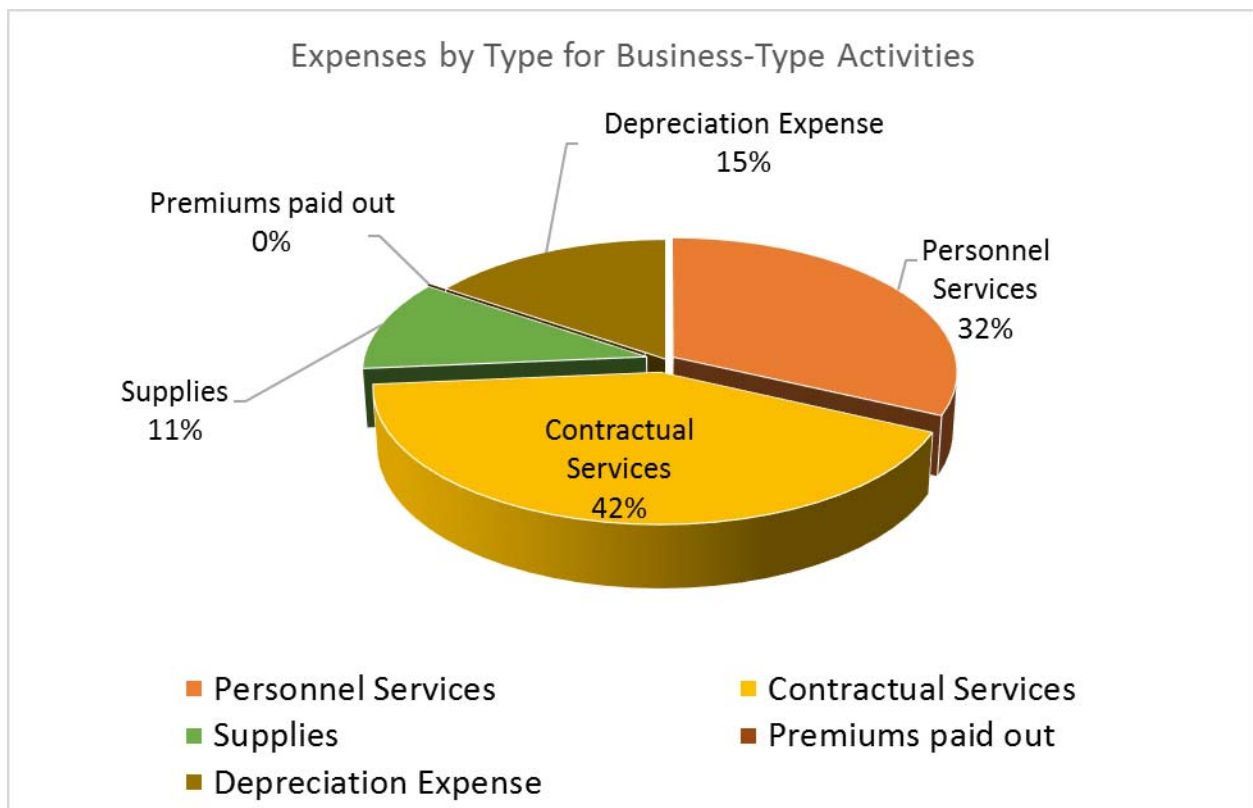
- Expenses overall for governmental activities totaled \$76 million, representing a decrease from fiscal year 2015/2016 expenses of \$80.6 million, or 5.6%.
- Expenses for general government comprise 19% of total governmental activities, or \$14,391,456. General government includes functions such as finance administration, parks, streets, engineering and City council.
- Expenses for public safety represent 57% of total governmental activities in the amount of \$43,263,363. The main operations within public safety are the Police and Fire Departments.
- Expenses for highway and streets are 15% of all governmental activities, or \$11,271,259. These expenses include spending on the City’s Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) program and other capital repairs to road infrastructure.
- Culture and recreation, Library, and interest on long-term debt comprise 5, 3, and 1% of general government respectively, or \$4,086,880, \$2,304,552 and \$936,132.

Expenses and Program Revenues : Business Type Activities Fiscal Year Comparison



- Major differences between revenues and expenses for business type activities are shown in the two charts above.
 - Fiscal year 2016/2017 saw an increase in water revenues of \$3,691,144, or 19%, and a decrease in expenses of \$1,061,344. These differences are attributed to a relaxing of state mandated water conservation efforts and lowered operational expenses.
 - For disposal operations, there was a slight increase in revenues over fiscal year 2015/2016 in the amount of \$63,686, or 0.5% and a slight decrease in expenses in the amount of \$7,792.
 - In the sewer fund, revenues decreased by \$215,816, or 2.2%, and expenses increased by \$71,006.
 - Lastly, for nonmajor funds, comprised of operations like Hillside Memorial Cemetery, the Aviation fund, and Nonpotable Water fund, there were overall increases in revenues of \$425,381, or 21%, and decreases in expenses of \$812,612.

Expenses by Type for Business-Type Activities



MAJOR FUNDS

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

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of June 2017, the total fund balance reported for the general fund was \$32,698,975, an increase of \$695,660, or 1.6%, from the prior year fund balance of \$32,168,791. As a measure of the general fund's liquidity, it can be useful to compare the total fund balance to total fund expenditures, which indicates that fund balance is 49% of general fund expenditures, however only \$13,927,733 of the \$32.6 million fund balance is unassigned. The unassigned fund balance of \$13.9 million, together with the \$8.1 million fund balance committed to stabilization arrangement (contingencies), is the only portion of fund balance readily available for spending and represents 33% of general fund expenditures. Total general fund expenditures this year were \$66,623,106, which is 4.9% greater than the prior year, and total general fund revenues were \$67,318,766, or 5% greater than the prior year.

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Sales Taxes decreased by \$389,660 from prior year, as explained previously, due to one-time revenue in fiscal year 2015/2016 of approximately \$2.4 million that marked the last "Triple Flip" payment from the State. Notwithstanding this item, regular sales and use tax actually significantly increased by 14% (from roughly \$14.8 million to \$16.8 million).
- Property Taxes increased by \$1,749,346, primarily due to strong growth in net taxable value of 5.6%. Of this nearly 6% growth factor, 1% was from CPI growth, 2% was from prior year transfers of ownership, 1.3% was from Proposition 8 value recapture on both single-family and non-single-family residences, and 0.6% was from new construction.
- Franchise Fees decreased by \$44,254, or 1%. As previously discussed, fees from SCE, the Gas Company, Verizon and Time Warner have tended to decrease over prior year fees collected.
- "Other" Taxes increased a total of \$185,485, with an increase of \$291,828 in Transient Occupancy Taxes, and offsetting decreases of \$81,793 in Possessory Interest, and \$24,577 in Mining Taxes.
- Licenses and Permits reflect an increase of \$551,251, mostly due to the higher revenues from building permits, plan checks and street permits as construction activity rose.
- Intergovernmental Revenues decreased slightly by a net amount of \$58,467, primarily the result of reductions in mandated cost reimbursement anticipated from the State under SB 90. Prior year 2015/2016 revenues in this category were higher than normal due to the timing of claim payments made by the State, wherein multiple past year claims were received in one fiscal year.
- Charges for Services reflect an overall decrease of \$1,385 from prior year. While there are variations over and under in each revenue account, the most significant decreases include \$36,400 in inspections and \$117,036 in cost recovery.

The **Local Transportation** fund accounts for the receipt and expenditure of street and road construction funds including the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) program. Expenditures in this fund were \$9,762,853, a portion of which was funded with the proceeds of the Solid Waste Bonds issued as a result of the significant impact that Solid Waste vehicles have on the City's streets. Other sources of revenue include a transfer from the Nevada-Palmetto deposit account in the amount of \$1.4 million for offsite street improvements around Heritage Park and the completion of the Gateway Monuments project as well as state and federal grants received for the installation of new "green" bike lanes on City streets. This is an increase of \$2,613,054 from last year, or 36.5%.

The **Public Facilities Development** fund accounts for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities. This fund holds Advances Payable to other funds totaling \$8,851,175. The funds and amounts owed include the General Fund in the amount of \$8,366,444, the Open Space Fund and Park and Open Space Development Fund in the amount of \$114,407 each, the Storm Drain Construction Fund in the amount of \$102,367, and the Water Fund Administration in the amount of \$153,550. This is an increase from last year of \$92,497 due to additions to the loans for unpaid interest of \$5,861 and additional transfers from the general fund in the amount of \$162,863 to cover the public facilities fund portion of debt service, as well as an offsetting partial repayment of the loan by the Fire Facilities impact fee category of \$76,227. The increase in fund balance over last year is a result of an uptick in revenues from development activity, however such amounts were insufficient to completely cover debt service obligations owed by the fund.

Major Enterprise Funds. The **Water Fund** has a total net position of \$111,458,957 at the end of the fiscal year, \$13,676,431 of which is unrestricted. The **Disposal Fund** has a total net position deficit of \$67,426 at the end of the fiscal year; unrestricted net position is a deficit of \$7,777,702. The **Sewer Fund** has a total net position of \$50,134,660 at the end of the fiscal year; \$17,325,841 is unrestricted. These funds account for the respective utility services provided by the City. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the Adopted Budget and the final amended 2016-2017 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$1,245,517 increase in the budget.
- General Government - \$286,767 decrease in the budget
- Public Safety - \$141,946 increase in the budget.
- Culture and Recreation - \$230,803 increase in the budget.
- Highways and Streets - \$324,873 increase in the budget.
- Library - \$37,252 decrease in the budget.
- Transfers - \$513,252 increase in the budget.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES			
Taxes	\$ 48,497,038	\$ 48,727,352	\$ 230,314
License & Permits	5,895,394	6,331,146	435,752
Intergovernmental	196,307	308,734	112,427
Charges for Service	6,653,320	7,061,994	408,674
Use of Money & Property	221,323	51,750	(169,573)
Miscellaneous	986,791	1,223,837	237,046
Transfers in	2,311,856	1,768,125	(543,731)
Proceeds from Sale of Property	789,424	1,845,826	1,056,402
Total Revenues	<u>\$ 65,551,453</u>	<u>\$ 67,318,764</u>	<u>\$ 1,767,311</u>
EXPENDITURES			
General Government	12,620,286	11,847,949	772,337
Public Safety	37,715,996	37,190,451	525,545
Culture & Recreation	2,649,555	2,512,957	136,598
Highways & Streets	3,928,896	4,000,476	(71,580)
Library	1,974,102	1,942,607	31,495
Transfers	6,014,820	6,102,083	(87,263)
Capital Outlay	2,251,616	2,768,011	(516,395)
Debt Service	258,609	258,609	-
Total Expenditures	<u>\$ 67,413,880</u>	<u>\$ 66,623,143</u>	<u>\$ 790,737</u>

Actual revenues were over the amended budget estimates by \$1,767,311. The largest increase was in the Proceeds from Sale of Property category at \$1,056,402 – due mainly to a pass through property purchased by the City for sale to the County of San Bernardino (216 Brookside Avenue). The Charges for Services category ended the fiscal year over budget by \$408,674, partially attributed to higher than expected revenues from landfill mitigation fees, contract classes and inspections. Use of Money and Property came in under budget by \$169,573. Licenses and Permits ended the year over budget estimates by \$435,752, mainly attributed to growth in development activity. Miscellaneous revenue ended the year over budget estimates by \$237,046 due partially to higher than expected donations received. General Taxes came in higher than projected by \$230,314. This was mainly due to strong growth in property tax revenues and slight growth in transient occupancy taxes.

General Government expenditures ended the year under budget by 6.1%.

Public Safety expenditures were under budget by \$525,545, or 1.4%.

This fiscal year, Highways and Streets expenditures ended over budget by \$71,580 due to unexpected unbudgeted repairs for storm drains and other road drainage issues. These expenditures resulted in an increase over budget of less than 1.8%.

Overall, Culture and Recreation was under budget by \$136,598, or 5.2%.

Library expenditures were under budget by \$31,495, or 1.6% at year-end. This was largely due to a reduction in staff costs.

Actual capital expenditures were over budget by \$516,395, or 22.9% at year-end. This is due to the completion of a one-time unbudgeted pass-through land sale wherein the City purchased property to be sold directly to the County of San Bernardino, causing a recognition of capital outlay, which was completely offset by land sale proceeds received for 216 Brookside Avenue.

There were no variations from the budget in the Debt Service principal and interest payments.

The overall favorable variance of \$790,737, or 1.2%, was achieved by careful review and monitoring of all categories of expenditures, by all departments, as well as better than expected revenues due to an improving economy. With the difficult economic conditions that have existed in recent years, budget monitoring has become more critical than ever before, requiring the cooperative efforts of management and staff at every level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$818,679,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, rights of way and construction in progress.

Major capital asset events during the current fiscal year include the following:

The City recognized a net decrease in construction in progress (CIP) totaling \$55,826,673, or 85.2%. This significant decrease is the result of several factors. Roughly \$56 million in completed projects were removed from CIP and accounted for in their respective capital asset categories as a result of thorough reclassification and analysis of the City's capital asset inventory. This amount was mostly recognized in infrastructure, buildings and improvements and rights of way. Along with these corrections, there were various capital assets and projects placed into service during fiscal year 2016-2017. This was largely a result of the City's ongoing Pavement Accelerated Rehabilitation Strategy (PARIS) program. Other projects included re-roofing and driveway resurfacing of various Fire Stations; the addition of new bike lanes; park infrastructure improvements; Hillside Memorial Park improvements to develop Block 11, add glass niches to its Mausoleum, and add a cremation garden in Block 14; and Airport runway lighting & signs construction.

Overall, the City's net capital assets increased by \$12,433,908 for the fiscal year ended June 30, 2017, or 1.5% over prior year. This increase is after including net depreciation charges that were \$8,099,307 higher over the prior year.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2017	2016	2017	2016	2017	2016	% of Change
Land	\$ 30,475,450	\$ 31,079,424	\$ 28,326,014	\$ 28,325,632	\$ 58,801,464	\$ 59,405,056	(1.0%)
Buildings & Improvements	34,499,854	32,419,145	102,940,070	84,651,414	137,439,924	117,070,559	17.4%
Machinery/Equip./Vehicles	18,744,552	22,188,518	17,143,288	19,187,439	35,887,840	41,375,957	(13.3%)
Infrastructure	219,760,317	193,562,851	170,673,828	143,822,124	390,434,145	337,384,975	15.7%
Water Stock	408,125	408,125	9,881,460	9,881,460	10,289,585	10,289,585	0.0%
Rights of Way	448,879,490	439,846,428	-	-	448,879,490	439,846,428	2.1%
Construction in Progress	8,708,072	18,312,824	1,024,082	47,246,003	9,732,154	65,558,827	(85.2%)
Accumulated Depreciation	(116,347,295)	(113,041,525)	(156,437,479)	(151,643,942)	(272,784,774)	(264,685,467)	3.1%
Total	645,128,565	624,775,790	173,551,263	181,470,130	818,679,828	806,245,920	1.5%

Internal Service Fund capital assets, in the net amount of \$464,514 are included in Governmental Activities.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Additional information on the City's Capital Assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Long-Term Liabilities

Major Long-Term liability events during the current fiscal year include the following:

- In Fiscal Year 2012, the City began drawing on an approved \$13,663,033 State Revolving Fund Loan with the State Department of Public Health for water treatment plant upgrades; at June 30, 2017 the outstanding balance was 9,210,210.
- The current year net increase in OPEB obligation reported as required by GASB 45 totals \$6,792,129, or 18.6% - roughly equal to the increase of the prior year of 18.8%.
- The City experienced an increase of \$71,300 or 0.8% in compensated absences.
- There was a significant increase to the claims payable liability in the amount of \$11,051,170 or 312%. This was caused by recognition of accruals in the amounts of \$8,478,383 and \$8,113,177 for general liability and workers' compensation claims, respectively.
- A new loan was issued to the City in the amount of \$3,050,000 from the California Infrastructure Bank (iBank) for use in funding street repair and replacement attributed to the PARIS funding program.
- Payments of \$6,813,251 for principal and \$2,165,239 for interest were made on existing bonds, notes, and leases payable.

Long-Term Liabilities for governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2017	2016	2017	2016	2017	2016	% of Change
Capital Lease Obligations	\$ 861,169	\$ 1,087,992	\$ -	\$ -	\$ 861,169	\$ 1,087,992	(20.8%)
Taxable Pension Bonds	14,596,411	16,581,841	-	-	14,596,411	16,581,841	(12.0%)
Certificates of Participation	595,000	1,370,000	-	-	595,000	1,370,000	(56.6%)
Add:Insurance Premium	48,006	96,010	-	-	48,006	96,010	(50.0%)
Revenue Bonds	-	-	11,045,000	13,190,000	11,045,000	13,190,000	(16.3%)
Add:Insurance Premium	-	-	1,083,322	1,337,756	1,083,322	1,337,756	(19.0%)
Notes Payable	-	-	20,929,311	18,819,314	20,929,311	18,819,314	11.2%
Leases Payable	1,514,962	1,568,792	-	-	1,514,962	1,568,792	(3.4%)
Claims Payable	14,591,560	3,540,390	-	-	14,591,560	3,540,390	312.1%
Compensated Absences	7,979,139	7,921,892	1,013,805	999,752	8,992,944	8,921,644	0.8%
Net OPEB Obligation	27,635,116	23,302,014	15,278,702	13,192,413	42,913,818	36,494,427	17.6%
Landfill Closure Liability	-	-	7,915,480	7,710,660	7,915,480	7,710,660	2.7%
					-	-	
Total	\$ 67,821,363	\$ 55,468,931	\$ 57,265,620	\$ 55,249,895	\$ 125,086,983	\$ 110,718,826	13.0%

Additional information on the City's long-term liabilities can be found in Notes 5, 6, 9 and 12 of the Notes to the Basic Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Management Services Department at CAFR@cityofredlands.org or to Management Services / Finance Director, 35 Cajon Street, Suite 222, Redlands, CA 92373.

This financial report is also available in electronic format on the City's website at <http://cityofredlands.org/finance/annualreport>. Additional information intended for the business community is available on the Economic Development web page also located on the City's website listed above at <http://www.cityofredlands.org/ED>.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 56,522,484	\$ 66,404,310	\$ 122,926,794
Cash and investments with fiscal agent	2,414,825	3,040,195	5,455,020
Receivables:			
Accounts	607,325	6,864,850	7,472,175
Taxes	4,578,088	234	4,578,322
Other	-	6,019,500	6,019,500
Internal balances	1,092,360	(1,092,360)	-
Prepaid costs	156,429	105	156,534
Due from other governments	1,425,583	662,850	2,088,433
Inventory	85,235	-	85,235
Capital assets not being depreciated	488,471,137	39,231,556	527,702,693
Capital assets, net of depreciation	156,657,428	134,319,707	290,977,135
Total assets	712,010,894	255,450,947	967,461,841
Deferred Outflows of Resources			
Deferred amount related to pensions	19,691,409	4,619,769	24,311,178
Liabilities			
Accounts payable	6,001,450	1,654,788	7,656,238
Accrued liabilities	2,338,169	179,991	2,518,160
Accrued interest	360,894	348,448	709,342
Unearned revenue	558,110	118,191	676,301
Deposits payable	5,721,506	2,173,382	7,894,888
Noncurrent liabilities:			
Due within one year	14,329,117	4,019,719	18,348,836
Due in more than one year	25,857,131	37,967,200	63,824,331
Net pension liability	85,371,170	17,552,765	102,923,935
Net OPEB obligation	27,635,116	15,278,702	42,913,818
Total liabilities	168,172,663	79,293,186	247,465,849
Deferred Inflows of Resources			
Deferred amount related to pensions	3,680,873	848,963	4,529,836
Net Position			
Net investment in capital assets	642,109,428	149,771,777	791,881,205
Restricted for:			
Public safety	2,038,030	-	2,038,030
Highway and streets	3,034,865	-	3,034,865
Capital projects	1,832,151	16,936,798	18,768,949
Debt service	2,416,453	462,600	2,879,053
Endowment - nonexpendable	1,536,966	-	1,536,966
CFD Assessment	242,204	-	242,204
Unrestricted	(93,361,330)	12,757,392	(80,603,938)
Total Net Position	\$ 559,848,767	\$ 179,928,567	\$ 739,777,334

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ (14,391,456)	\$ 10,144,231	\$ 483,292	\$ -
Public safety	(43,263,363)	2,696,810	509,209	-
Culture and recreation	(4,086,880)	719,642	-	146,532
Highway and streets	(11,271,259)	1,361,187	1,918,758	2,110,838
Library	(2,304,552)	125,052	-	-
Interest on long-term debt	(936,132)	-	-	-
Total Governmental Activities	<u>(76,253,642)</u>	<u>15,046,922</u>	<u>2,911,259</u>	<u>2,257,370</u>
Business-Type Activities:				
Water	(20,514,340)	22,479,655	-	-
Disposal	(12,274,583)	13,657,953	-	-
Sewer	(8,979,254)	9,340,274	-	-
Groves	(785,348)	575,846	-	-
Non-potable water	(75,761)	514,015	-	-
Cemetery	(742,740)	700,334	-	-
Aviation	(434,912)	83,905	-	816,777
Total Business-Type Activities	<u>(43,806,938)</u>	<u>47,351,982</u>	<u>-</u>	<u>816,777</u>
Total Primary Government	<u>\$ (120,060,580)</u>	<u>\$ 62,398,904</u>	<u>\$ 2,911,259</u>	<u>\$ 3,074,147</u>

General revenues:
 Taxes:
 Property taxes, levied for general purpose
 Sales taxes
 Franchise taxes
 Other taxes
 Use of money and property
 Other
 Intergovernmental (unrestricted)
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position at beginning of year, as restated
 Net position at end of year

See accompanying notes to basic financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,763,933)	\$ -	\$ (3,763,933)
(40,057,344)	-	(40,057,344)
(3,220,706)	-	(3,220,706)
(5,880,476)	-	(5,880,476)
(2,179,500)	-	(2,179,500)
(936,132)	-	(936,132)
<u>(56,038,091)</u>	<u>-</u>	<u>(56,038,091)</u>
-	1,965,315	1,965,315
-	1,383,370	1,383,370
-	361,020	361,020
-	(209,502)	(209,502)
-	438,254	438,254
-	(42,406)	(42,406)
-	465,770	465,770
<u>-</u>	<u>4,361,821</u>	<u>4,361,821</u>
<u>(56,038,091)</u>	<u>4,361,821</u>	<u>(51,676,270)</u>
28,173,741	40,199	28,213,940
16,843,090	-	16,843,090
3,035,317	-	3,035,317
1,977,985	-	1,977,985
212,991	500,783	713,774
7,331,734	4,627,943	11,959,677
196,602	-	196,602
2,500,914	(2,500,914)	-
<u>60,272,374</u>	<u>2,668,011</u>	<u>62,940,385</u>
4,234,283	7,029,832	11,264,115
<u>555,614,484</u>	<u>172,898,735</u>	<u>728,513,219</u>
<u>\$ 559,848,767</u>	<u>\$ 179,928,567</u>	<u>\$ 739,777,334</u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

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

	Special Revenue Funds		
	General	Local Transportation	Public Facilities Development
Assets			
Cash and investments	\$ 24,806,124	\$ 2,413,779	\$ 503,911
Cash and investments with fiscal agent	-	-	-
Receivables:			
Accounts	541,348	-	-
Taxes	4,240,487	-	-
Prepaid costs	151,551	-	48
Due from other governments	768,820	180,298	-
Due from other funds	1,120,135	-	-
Advances to other funds	8,366,443	-	-
Total Assets	\$ 39,994,908	\$ 2,594,077	\$ 503,959
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 913,382	\$ 4,031,006	\$ -
Accrued payroll	554,271	9,171	-
Unearned revenues	169,449	-	-
Deposits payable	5,086,822	208,902	-
Due to other funds	-	45,814	-
Advances from other funds	-	-	8,851,175
Total Liabilities	6,723,924	4,294,893	8,851,175
Deferred Inflows of Resources			
Unavailable revenue	572,009	20,830	-
Fund Balances			
Nonspendable	8,517,994	-	48
Restricted	-	-	-
Committed	8,122,332	-	-
Assigned	2,130,916	-	-
Unassigned	13,927,733	(1,721,646)	(8,347,264)
Total Fund Balance	32,698,975	(1,721,646)	(8,347,216)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 39,994,908	\$ 2,594,077	\$ 503,959

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 21,242,674	\$ 48,966,488
2,414,825	2,414,825
13,152	554,500
207,903	4,448,390
3,467	155,066
476,465	1,425,583
45,814	1,165,949
999,086	9,365,529
<u>\$ 25,403,386</u>	<u>\$ 68,496,330</u>

\$ 672,173	\$ 5,616,561
75,600	639,042
388,661	558,110
425,782	5,721,506
542,129	587,943
-	8,851,175
<u>2,104,345</u>	<u>21,974,337</u>

<u>164,480</u>	<u>757,319</u>
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2,539,519	11,057,561
9,563,703	9,563,703
8,013,248	16,135,580
3,419,978	5,550,894
(401,887)	3,456,936
<u>23,134,561</u>	<u>45,764,674</u>

<u>\$ 25,403,386</u>	<u>\$ 68,496,330</u>
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CITY OF REDLANDS, CALIFORNIA

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

Fund Balances of Governmental Funds	\$ 45,764,674
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	644,664,051
Long-term debt, net pension liability and compensated absences that have not been included in the governmental fund activity:	
Capital leases payable	\$ (861,169)
Taxable pension funding bonds	(14,596,411)
Certificates of participation payable	(595,000)
I-Bank Sports Park lease	(1,514,963)
Unamortized bond premiums/discounts	(48,006)
Net pension liability	(81,424,491)
Net OPEB obligation	(24,291,616)
Compensated absences	<u>(7,582,324)</u>
	(130,913,980)
Deferred outflows of resources related to pensions	18,687,650
Deferred inflows related to pensions	(3,554,012)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(360,894)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	757,319
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	<u>(15,196,041)</u>
Net Position of Governmental Activities	<u><u>\$ 559,848,767</u></u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2017**

	Special Revenue Funds		
	General Fund	Local Transportation	Public Facilities Development
Revenues			
Taxes	\$ 48,727,352	\$ -	\$ -
Licenses and permits	6,331,147	-	446,214
Intergovernmental	308,734	1,364,152	-
Charges for services	7,061,994	-	-
Use of money and property	51,750	(4,144)	-
Miscellaneous	1,223,837	1,564,807	-
Total Revenues	63,704,814	2,924,815	446,214
Expenditures			
Current:			
General government	11,847,937	-	-
Public safety	37,190,418	-	-
Culture and recreation	2,512,961	-	-
Highway and streets	4,000,479	881,750	11,423
Library	1,942,607	-	-
Capital outlay	2,768,012	8,881,103	-
Debt service:			
Principal retirement	226,823	-	-
Interest and fiscal charges	31,786	-	5,861
Total Expenditures	60,521,023	9,762,853	17,284
Excess (deficiency) of revenues over (under) expenditures	3,183,791	(6,838,038)	428,930
Other Financing Sources (Uses)			
Transfers in	1,768,125	5,698,839	-
Transfers out	(6,102,083)	-	(413,842)
Proceeds from sale of property	1,845,827	-	-
Total Other Financing Sources (Uses)	(2,488,131)	5,698,839	(413,842)
Net change in fund balances	695,660	(1,139,199)	15,088
Fund Balances, beginning of year, as restated	32,003,315	(582,447)	(8,362,304)
Fund Balances, end of year	\$ 32,698,975	\$ (1,721,646)	\$ (8,347,216)

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,468,980	\$ 51,196,332
1,705,635	8,482,996
2,593,381	4,266,267
422,896	7,484,890
143,935	191,541
1,169,977	3,958,621
8,504,804	75,580,647
503,835	12,351,772
5,565,393	42,755,811
98,249	2,611,210
801,432	5,695,084
-	1,942,607
3,827,043	15,476,158
2,888,830	3,115,653
939,064	976,711
14,623,846	84,925,006
(6,119,042)	(9,344,359)
7,963,121	15,430,085
(5,042,284)	(11,558,209)
4,426,983	6,272,810
7,347,820	10,144,686
1,228,778	800,327
21,905,783	44,964,347
\$ 23,134,561	\$ 45,764,674

See accompanying notes to basic financial statements.

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CITY OF REDLANDS, CALIFORNIA

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

Net Change in Fund Balances - Total Governmental Funds \$ 800,327

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

Governmental funds report capital projects (outlays) as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 15,476,158	
Non-capitalized expenditures are reclassified to various functions	12,321,735	
Depreciation expense	(7,114,727)	
Disposal of capital assets	<u>(7,330,691)</u>	13,352,475

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal repayments on capital leases	226,823	
Principal repayments on certificates of participation	775,000	
Principal repayment of I-Bank Sports Park lease	53,830	
Amortization of bond premiums/discounts	48,004	
Principal repayments on taxable pension obligation bonds	2,060,000	
Accrued interest on taxable pension obligation bonds	<u>(74,570)</u>	3,089,087

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 67,145

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (52,827)

Governmental funds report contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (3,912,333)

Pension contributions are expenditure in the governmental funds, however pension expense is measured as the change in the net pension liability and amortization of deferred inflows and outflows in the statement of activities. This amount represents the net change in pension related amounts. (1,791,837)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (3,883,121)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (3,434,633)

Change in Net Position of Governmental Activities \$ 4,234,283

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			Other Enterprise Funds
	Water	Disposal	Sewer	
Assets:				
Current:				
Cash and investments	\$ 23,249,536	\$ 16,137,406	\$ 23,106,259	\$ 3,911,109
Receivables:				
Accounts	3,793,226	1,778,967	1,224,894	67,763
Taxes	-	-	-	234
Other	-	6,019,500	-	-
Prepaid costs	105	-	-	-
Due from other governments	-	-	-	662,850
Inventory	-	-	-	-
Total Current Assets	27,042,867	23,935,873	24,331,153	4,641,956
Noncurrent:				
Advances to other funds	1,332,671	920,930	-	-
Capital assets - net of accumulated depreciation	110,244,357	7,710,276	36,416,198	19,180,432
Cash and investments with fiscal agent	1,008,536	1,193,114	838,545	-
Total Noncurrent Assets	112,585,564	9,824,320	37,254,743	19,180,432
Total Assets	139,628,431	33,760,193	61,585,896	23,822,388
Deferred Outflows of Resources:				
Deferred pension related items	2,149,674	1,293,524	1,040,336	136,235
Total Assets and Deferred Outflows of Resources	\$ 141,778,105	\$ 35,053,717	\$ 62,626,232	\$ 23,958,623
Liabilities, Deferred Inflows of Resources, and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 833,884	\$ 185,754	\$ 297,359	\$ 337,791
Accrued payroll	81,261	49,669	41,654	7,407
Interest payable	-	297,078	51,370	-
Unearned revenues	-	116,891	-	1,300
Deposits payable	1,190,130	54,240	18,965	910,047
Due to other funds	-	-	-	578,006
Accrued compensated absences	238,680	119,227	133,774	30,440
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	734,778	1,473,216	1,289,604	-
Total Current Liabilities	3,078,733	2,296,075	1,832,726	1,864,991
Noncurrent:				
Advances from other funds	-	-	-	2,767,955
Accrued compensated absences	238,681	119,228	133,775	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	11,727,053	15,515,208	2,317,775	-
Net OPEB obligation	7,076,333	3,988,464	3,861,858	352,047
Net pension liability	7,799,173	5,107,699	4,107,945	537,948
Landfill closure	-	7,915,480	-	-
Total Noncurrent Liabilities	26,841,240	32,646,079	10,421,353	3,657,950
Total Liabilities	29,919,973	34,942,154	12,254,079	5,522,941
Deferred Inflows of Resources:				
Deferred pension related items	399,175	178,989	237,493	33,306
Net Position:				
Net investment in capital assets	97,782,526	-	32,808,819	19,180,432
Restricted for capital projects	3,240,000	6,496,798	7,200,000	-
Restricted for debt service	462,600	-	-	-
Unrestricted	9,973,831	(6,564,224)	10,125,841	(778,056)
Total Net Position	111,458,957	(67,426)	50,134,660	18,402,376
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 141,778,105	\$ 35,053,717	\$ 62,626,232	\$ 23,958,623

See accompanying notes to basic financial statements.

Business-Type Activities - Enterprise Funds Totals	Governmental Activities - Internal Service Funds
\$ 66,404,310	\$ 7,555,996
6,864,850	52,825
234	129,698
6,019,500	-
105	1,363
662,850	-
-	85,235
<u>79,951,849</u>	<u>7,825,117</u>
2,253,601	-
173,551,263	464,514
3,040,195	-
<u>178,845,059</u>	<u>464,514</u>
<u>258,796,908</u>	<u>8,289,631</u>
<u>4,619,769</u>	<u>1,003,759</u>
<u>\$ 263,416,677</u>	<u>\$ 9,293,390</u>
\$ 1,654,788	\$ 384,889
179,991	1,699,127
348,448	-
118,191	-
2,173,382	-
578,006	-
522,121	-
-	7,295,780
3,497,598	-
<u>9,072,525</u>	<u>9,379,796</u>
2,767,955	-
491,684	396,815
-	7,295,780
29,560,036	-
15,278,702	3,343,500
17,552,765	3,946,679
7,915,480	-
<u>73,566,622</u>	<u>14,982,774</u>
<u>82,639,147</u>	<u>24,362,570</u>
<u>848,963</u>	<u>126,861</u>
149,771,777	464,514
16,936,798	-
462,600	-
<u>12,757,392</u>	<u>(15,660,555)</u>
<u>179,928,567</u>	<u>(15,196,041)</u>
<u>\$ 263,416,677</u>	<u>\$ 9,293,390</u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Water	Disposal	Sewer	Other Enterprise Funds
Operating Revenues:				
Sales and service charges	\$ 22,479,655	\$ 13,657,953	\$ 9,340,274	\$ 1,874,100
Miscellaneous	303,123	-	1,666	563,169
Total Operating Revenues	22,782,778	13,657,953	9,341,940	2,437,269
Operating Expenses				
Personnel services	5,779,325	4,021,563	3,248,857	564,796
Contractual services	8,424,154	5,474,040	2,632,481	1,213,588
Supplies	2,754,288	415,829	1,429,820	63,331
Premiums paid out	-	-	-	-
Depreciation expense	3,237,293	1,614,852	1,551,604	176,176
Total Operating Expenses	20,195,060	11,526,284	8,862,762	2,017,891
Operating Income (Loss):	2,587,718	2,131,669	479,178	419,378
Nonoperating Revenues (Expenses):				
Interest revenue	95,513	241,804	141,951	21,515
Interest expense	(319,100)	(734,079)	(114,479)	(20,870)
Miscellaneous income	167,817	-	-	22,439
Miscellaneous expense	(180)	(14,220)	(2,013)	-
Property taxes	-	-	-	40,199
Grants	-	-	-	816,777
Total Nonoperating Revenues (Expenses):	(55,950)	(506,495)	25,459	880,060
Income (Loss) Before Transfers and Contributions	2,531,768	1,625,174	504,637	1,299,438
Transfers in	1,100,000	-	7,489	-
Transfers out	(883,164)	(1,587,933)	(37,306)	(1,100,000)
Contributions	1,650,069	307,375	1,350,612	261,673
Change in Net Position	4,398,673	344,616	1,825,432	461,111
Net Position/(Deficit):				
Beginning of Year, as restated	107,060,284	(412,042)	48,309,228	17,941,265
End of Year	\$ 111,458,957	\$ (67,426)	\$ 50,134,660	\$ 18,402,376

See accompanying notes to basic financial statements.

Business-Type Activities - Enterprise Funds Totals	Governmental Activities - Internal Service Funds
\$ 47,351,982	\$ 13,015,322
867,958	1,019,112
48,219,940	14,034,434
13,614,541	3,350,980
17,744,263	9,494,750
4,663,268	2,496,415
-	579,697
6,579,925	192,938
42,601,997	16,114,780
5,617,943	(2,080,346)
500,783	16,675
(1,188,528)	-
190,256	-
(16,413)	-
40,199	-
816,777	-
343,074	16,675
5,961,017	(2,063,671)
1,107,489	1,700,000
(3,608,403)	(3,070,962)
3,569,729	-
7,029,832	(3,434,633)
172,898,735	(11,761,408)
\$ 179,928,567	\$ (15,196,041)

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Water	Disposal	Sewer	Other Enterprise Funds
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 22,104,969	\$ 13,710,101	\$ 9,540,730	\$ 2,402,088
Cash paid to suppliers for goods and services	(10,915,016)	(5,701,198)	(4,236,666)	(1,150,887)
Cash payments for claims	-	-	-	-
Cash paid to employees for services	(4,947,434)	(3,652,234)	(2,897,252)	(658,927)
Net Cash Provided (Used) by Operating Activities	6,242,519	4,356,669	2,406,812	592,274
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	(2,937,258)	(1,587,933)	(37,306)	(1,100,000)
Cash transfers in	3,154,094	-	7,489	-
Advances from other funds	18,865	40,000	-	544,641
Intergovernmental	-	-	-	40,199
Grants received	-	-	-	153,927
Net Cash Provided (Used) by Non-Capital Financing Activities	235,701	(1,547,933)	(29,817)	(361,233)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(2,686,102)	(133,718)	(1,028,721)	(814,776)
Principal paid on long term debt	(511,200)	(1,301,806)	(1,252,297)	-
Interest paid on debt	(319,100)	(850,309)	(204,998)	(20,870)
Cash contributions received from developers	1,650,069	307,375	1,350,612	261,673
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,866,333)	(1,978,458)	(1,135,404)	(573,973)
Cash Flows from Investing Activities:				
Interest received	95,513	241,804	141,951	21,515
Net Cash Provided (Used) by Investing Activities	95,513	241,804	141,951	21,515
Net Increase (Decrease) in Cash and Cash Equivalents	4,707,400	1,072,082	1,383,542	(321,417)
Cash and Cash Equivalents at Beginning of Year	19,550,672	16,258,438	22,561,262	4,232,526
Cash and Cash Equivalents at End of Year	\$ 24,258,072	\$ 17,330,520	\$ 23,944,804	\$ 3,911,109

See accompanying notes to basic financial statements.

Business-Type Activities - Enterprise Funds Totals	Governmental Activities - Internal Service Funds
\$ 47,757,888	\$ 15,567,299
(22,003,767)	(9,614,981)
-	(579,697)
<u>(12,155,847)</u>	<u>(2,980,873)</u>
<u>13,598,274</u>	<u>2,391,748</u>
(5,662,497)	(3,070,962)
3,161,583	1,700,000
603,506	-
40,199	-
153,927	-
<u>(1,703,282)</u>	<u>(1,370,962)</u>
(4,663,317)	(100,578)
(3,065,303)	-
(1,395,277)	-
<u>3,569,729</u>	<u>-</u>
<u>(5,554,168)</u>	<u>(100,578)</u>
<u>500,783</u>	<u>16,675</u>
<u>500,783</u>	<u>16,675</u>
6,841,607	936,883
<u>62,602,898</u>	<u>6,619,113</u>
<u>\$ 69,444,505</u>	<u>\$ 7,555,996</u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDING JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds			Other Enterprise Funds
	Water	Disposal	Sewer	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 2,587,718	\$ 2,131,669	\$ 479,178	\$ 419,378
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	3,237,293	1,614,852	1,551,604	197,997
(Increase) decrease in accounts receivable	(677,809)	19,874	198,790	(57,731)
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid expense	7,452	5,569	4,194	10,693
(Increase) decrease in deferred outflows	(1,434,325)	(825,040)	(663,551)	(86,894)
Increase (decrease) in deferred inflows	(215,026)	(140,821)	(113,257)	(14,831)
Increase (decrease) in accounts payable	(12,661)	6,670	(152,434)	(113,961)
Increase (decrease) in accrued payroll	(81,849)	(70,170)	(51,204)	(6,287)
Increase (decrease) in deposits payable	268,635	(28,388)	(26,125)	63,625
Increase (decrease) in unearned revenue	-	32,274	-	(4,070)
Increase (decrease) in net pension liability	1,434,325	939,343	755,481	98,932
Increase (decrease) in net OPEB obligation	1,120,875	460,934	419,814	84,666
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	7,891	5,083	4,322	757
Increase (decrease) in landfill closure liability	-	204,820	-	-
Total Adjustments	3,654,801	2,225,000	1,927,634	172,896
Net Cash Provided (Used) by Operating Activities	\$ 6,242,519	\$ 4,356,669	\$ 2,406,812	\$ 592,274
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of premiums on debt	\$ -	\$ 182,991	\$ 71,443	\$ -

See accompanying notes to basic financial statements.

<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 5,617,943	\$ (2,080,346)
6,601,746	192,938
(516,876)	(124,546)
-	(10,235)
27,908	1,676
(3,009,810)	(636,354)
(483,935)	1,548,814
(272,386)	(344,301)
(209,510)	(34,591)
277,747	-
28,204	-
3,228,081	725,823
2,086,289	420,769
-	2,727,681
18,053	4,420
204,820	-
<u>7,980,331</u>	<u>4,472,094</u>
<u>\$ 13,598,274</u>	<u>\$ 2,391,748</u>
<u>\$ 254,434</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Agency Funds</u>	<u>Private-Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Cash and investments	\$ 4,635,205	\$ 3,194,692
Cash and investments with fiscal agents	2,807,857	1,586
Receivables:		
Note	-	110,263
Accrued interest	381,277	-
Capital assets:		
Capital assets, not being depreciated	-	2,835,521
Total Assets	<u>\$ 7,824,339</u>	<u>6,142,062</u>
Deferred Outflows of Resources:		
Deferred charge on refunding		<u>460,037</u>
Liabilities:		
Accounts payable	\$ 333,231	2,200
Accrued payroll	-	1,242
Accrued interest	-	201,865
Deposits payable	7,491,108	3,000
Long-term liabilities:		
Due within one year	-	2,115,000
Due in more than one year	-	12,631,198
Total Liabilities	<u>\$ 7,824,339</u>	<u>14,954,505</u>
Net Position:		
Held in trust for other purposes		<u>\$ (8,352,406)</u>

See accompanying notes to basic financial statements.

CITY OF REDLANDS, CALIFORNIA

**STATEMENT CHANGES IN OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2017**

	Private-Purpose Trust Fund
	Successor Agency of the Former RDA
Additions:	
Taxes	\$ 3,944,278
Interest and change in fair value of investments	187,748
Miscellaneous	12,704
Total Additions	4,144,730
Deductions:	
Administrative expenses	250,954
Contactual services	453,899
Interest expense	588,842
Total Deductions	1,293,695
Change in Net Position	2,851,035
Net Position/(Deficit), Beginning of Year, as restated	<u>(11,203,441)</u>
Net Position/(Deficit), End of Year	<u><u>\$ (8,352,406)</u></u>

See accompanying notes to basic financial statements.

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CITY OF REDLANDS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Redlands ("City") is a municipal corporation governed by a five-member city council with the mayor elected by the council itself. The City was incorporated in 1888 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Each blended component unit has a June 30 year-end.

Blended Component Units

The Redlands Public Improvement Corporation ("Corporation") was organized in June 1985 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The corporation was formed at the request of the City and the directors receive no compensation. The corporation is presented as a governmental fund type.

The Redlands Financing Authority ("Authority") was established May 1, 1999, pursuant to the Joint Exercise of Powers Laws of the State of California. The Authority was created by the Agency and the City for the primary purpose of assisting the financing of capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits.

Separate financial statements for the blended component units are not prepared.

Related Organizations

The City of Redlands' officials are also responsible for appointing members of the boards of other organizations, but the City of Redlands' accountability for these organizations does not extend beyond making the appointments. The board of the Friends of the A.K. Smiley Public Library and the Redlands Historical Museum Association are appointed by the City Council.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including the blended component units). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when the revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows or resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the measurability and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable fund balance accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets, the proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary and fiduciary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary and fiduciary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses. Private-purpose trust funds account for the assets and liabilities of other agencies and report additions such as taxes and deductions such as administrative and contract services.

C. Fund Classification

The City utilizes the following broad categories of funds:

Major Funds

Major funds are those funds which are either material or of particular importance.

Major Governmental Funds — Governmental funds are generally used to account for tax-supported activities. The following governmental funds met the criteria of a major fund:

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classification (Continued)

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Local Transportation

The Local Transportation Fund is used to account for the receipt and expenditure of street and road construction funds including the City's Pavement Accelerated Rehabilitation Implementation Strategy (PARIS) Project, a portion of which is being funded with proceeds of Solid Waste Bonds issued as a result of the significant adverse impact that Solid Waste vehicles have on the City's streets.

Public Facilities Development

The Public Facilities Development Fund is used to account for the collection and related expenditure of development impact fees used for constructing new and upgrading existing public facilities.

Major Proprietary Funds — Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

Water Fund

The Water Fund is an enterprise fund used to account for water utility services provided by the City.

Disposal Fund

The Disposal Fund is an enterprise fund used to account for refuse disposal utility services provided by the City.

Sewer Fund

The Sewer Fund is an enterprise fund used to account for waste water utility services provided by the City.

Additionally the government reports the following fund types:

Capital Project

Capital project funds are used to account for the expenditures of construction of various capital improvements projects throughout the City.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classification (Continued)

Internal Service Funds

The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, the cost of maintaining and replacing the City's rolling stock fleet, and information technology services. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Permanent Fund

The Cemetery Endowment Fund, a Permanent Fund, establishes an endowment fund for future maintenance of the cemetery.

Agency Funds

Agency funds are used to account for the City's Special Deposits and Community Facilities District Trust in a trustee capacity. The funds are custodial in nature, and do not involve measurement of results of operations.

Private-Purpose Trust Fund

The private purpose trust fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

D. Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments for the proprietary funds is considered cash and cash equivalents.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include land, rights of way, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Capital assets purchased or constructed in excess of \$5,000 is capitalized if it has an expected useful life of three years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated acquisition value at the date of contribution.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Structures	10-40 years
Equipment	3-25 years
Infrastructure	20-75 years

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions which are reported in Note 9.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows related to pensions on the Statement of Net Position and unavailable revenues reported on the governmental funds balance sheet. The deferred inflows related to pensions are described in Note 9. In the governmental funds balance sheet, the unavailable revenue category arises only under a modified accrual basis of accounting. When amounts have been earned, but have not been received within the availability period, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Pursuant to Resolution 7346, assignments may be made by the City Council or its designee, the Finance Director. Unlike commitments, assignments generally only exist temporarily. Thus, additional action does not normally have to be taken for the removal of an assignment.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes. This includes the residual General Fund balance and residual fund deficits of other governmental funds.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted and unrestricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned and then unassigned fund balance.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity (Continued)

Stabilization Arrangement

As described in Chapter 3.06 of the Municipal Code, the City has established a stabilization arrangement committing a minimum of 12 percent of the sum of the General Fund’s operating expenses and operating transfers out. The balance at June 30, 2017, is \$8,122,332 and is included in committed fund balance. These funds may be used only when the City is faced with an unforeseen or uncontrollable event which includes but is not limited to:

1. Local revenue shortfalls due to a major business closure or relocation.
2. Legislative or judicial mandates to provide new or expanded services or programs that, in total, cost the City \$200,000 or more.
3. Natural and civil disasters such as earthquakes, fires, floods, riots and health epidemics.

J. Inventory

Inventory is valued at cost, using the first-in, first-out method, which approximates market value. Supplies are recorded as expenditures when they are used rather than when purchased.

K. Compensated Absences

A total of 10 to 25 days of vacation and 12 days of sick leave per year may be accumulated by each employee. The City accrues a liability for compensated absences which meets the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

L. Cash and Investments with Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds, Certificates of Participation and lease obligations. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Property Taxes

With the passage of Proposition 13 in 1978 (Article XIII A, California State Constitution), property taxes are limited to one percent of market value, plus additional taxes for repayment of existing or subsequent voter-approved indebtedness. Under Article XIII A, the market value of taxable property is subject to a maximum annual increase of two percent. Market value may be appraised at significantly more than two percent depending on other factors such as improvements, sale or change of ownership. The City receives a portion of the one percent general tax levy which is shared by several other local governments including the county and the school district. The City's share is based on a formula prescribed in Section 26912(b) of the Government Code. The county apportions property taxes to the City on a scheduled basis which generally adheres to the actual tax collection periods. The tax lien date is January 1 of each year and covers the ensuing fiscal year's tax returns. The tax levy date is from July 1 to June 30 of each year. The first installment becomes due on November 1 with penalties and interest accruing after December 10. The second installment is due no later than April 10.

N. Bond Premiums and Discounts

Bond premiums and discounts for proprietary and fiduciary fund types are deferred and amortized over the term of the bond using the bonds-outstanding method, which approximates the effective interest method. Bond premiums and discounts are presented as an adjustment to the face amount of the bonds payable.

O. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenue and expenses during the reporting period. Actual results could differ from those estimates.

P. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. New Accounting Standards

Adopted in the Current Year

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City implemented this pronouncement effective July 1, 2016. See Note #15 for further details.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Standards (Continued)

Effective in Future Fiscal Years

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined its effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The City has not determined the effect, if any, on the financial statements.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. The City has not determined the effect on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. The City has not determined the effect on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The City has not determined the effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. The City has not determined the effect on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the financial statements.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – 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	\$ 122,926,794
Cash and investments with fiscal agent	5,455,020
Fiduciary funds:	
Cash and investments	7,829,897
Cash and investments with fiscal agent	2,809,443
Total cash and investments	<u><u>\$ 139,021,154</u></u>

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

Cash on hand	\$ 5,500
Deposits with financial institutions	3,265,753
Investments	135,749,901
Total cash and investments	<u><u>\$ 139,021,154</u></u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized By Investment Policy	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	15%
Negotiable Certificates of Deposit	Yes	5 years	30%	30%
Repurchase Agreements	Yes	7 days	None	None
Reverse Repurchase Agreements	No	92 days	None	None
Medium-Term Notes	Yes	5 years	15%	15%
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	No	5 years	None	None
County Pooled Investment Funds	No	N/A	None	None
LAIF	No	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Treasury Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	15%	15%
Money Market Mutual funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term 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 (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>				
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 36 Months</u>	<u>37 to 48 Months</u>	<u>49 to 60 Months</u>
Federal Agency Securities	\$ 61,416,601	\$ 4,743,413	\$ 14,276,948	\$ 10,931,720	\$ 13,923,290	\$ 17,541,230
U.S. Treasury Notes	7,971,260	1,989,380	2,008,680	1,977,960	987,230	1,008,010
Corporate Bonds	16,922,521	5,110,119	3,015,010	4,990,330	1,795,902	2,011,160
Certificates of Deposit	18,805,979	3,730,369	3,709,639	4,156,836	3,477,296	3,731,839
Mutual Funds	758,873	758,873	-	-	-	-
LAIF	21,598,953	21,598,953	-	-	-	-
Held by Fiscal Agent:						
Money Market Funds	8,275,714	8,275,714	-	-	-	-
Total	135,749,901	\$ 46,206,821	\$ 23,010,277	\$ 22,056,846	\$ 20,183,718	\$ 24,292,239

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is 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 investment type.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rate of of Year End	
				AAA/Aa	Not Rated
Federal Agency Securities	\$ 61,416,601	N/A	\$ -	\$ 61,416,601	\$ -
U.S. Treasury Notes	7,971,260	N/A	7,971,260	-	-
Corporate Bonds	16,922,521	A	-	16,922,521	-
Certificates of Deposit	18,805,979	N/A	-	-	18,805,979
Mutual Funds	758,873	A	-	758,873	-
LAIF	21,598,953	N/A	-	-	21,598,953
Held by Fiscal Agent:					
Money Market Funds	8,275,714	A	-	8,275,714	-
Total	\$ 135,749,901		\$ 7,971,260	\$ 87,373,709	\$ 40,404,932

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5 percent or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation (FHLMC)	Federal agency securities	\$ 25,193,949
Federal National Mortgage Association (FNMA)	Federal agency securities	11,837,360
Federal Home Loan Bank (FHLB)	Federal agency securities	13,091,282
Federal Farm Credit Bank (FFCB)	Federal agency securities	8,939,240

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - 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 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, 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 fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

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 investments. For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments matured in an average of 194 days. LAIF is not registered with the Securities Exchange Commission and is not rated. Deposits and withdrawals from LAIF are made on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, the measurement of the City's participation in LAIF is based on uncategorized inputs not defined as Level 1, Level 2 or Level 3.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 as follows:

- Level 1: Investments reflect prices quoted for identical assets in active markets;
- Level 2: Investments reflect prices that are based on a similar observable inputs;
- Level 3: Investments reflect prices based on unobservable inputs.

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

Investment Type	Totals	Level		
		1	2	3
Federal Agency Securities	\$ 61,416,601	\$ -	\$ 61,416,601	\$ -
U.S. Treasury Notes	7,971,260		7,971,260	-
Corporate Bonds	16,922,521	-	16,922,521	-
Certificates of Deposit	18,805,979	-	18,805,979	-
Mutual Funds	758,873	758,873	-	-
Total leveled investments		<u>\$ 758,873</u>	<u>\$ 105,116,361</u>	<u>\$ -</u>
Uncategorized investments				
LAIF	21,598,953			
Money Market Funds	8,275,714			
Total Investments	<u>\$ 135,749,901</u>			

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Due To/From Other Funds

As of June 30, 2017, the City had the following due to/from other funds:

Funds	Due to other funds			Total
	Local Transportation Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Due from other funds:				
General Fund	\$ -	\$ 542,129	\$ 578,006	\$ 1,120,135
Nonmajor Governmental Funds	45,814	-	-	45,814
Total	<u>\$ 45,814</u>	<u>\$ 542,129</u>	<u>\$ 578,006</u>	<u>\$ 1,165,949</u>

The due to/from other fund balances reflect short-term borrowings to cover negative cash balances at June 30, 2017.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

B. Advances To/From Other Funds

As of June 30, 2017, advances to/from other funds were as follows:

Funds	Advances from other funds		Total
	Public Facilities Fund	Nonmajor Proprietary Funds	
Advances to other funds:			
General Fund	\$ 8,366,443	\$ -	\$ 8,366,443
Nonmajor governmental funds	331,181	667,905	999,086
Water fund	153,551	1,179,120	1,332,671
Disposal fund	-	920,930	920,930
Total	\$ 8,851,175	\$ 2,767,955	\$ 11,619,130

The General Fund has advanced the Public Facilities Development Fund \$8,366,443 to provide funding for capital expenditures and debt service coverage on the COP's issued for capital facilities. The balance will be repaid through future development impact fee collections. Additional advances were made to the Public Facilities Fund to assist in debt service payments on the COP's. At June 30, 2017, these advances were from the Open Space Fund for \$114,407, the Park Development Fund for \$114,407, the Storm Drain Construction Fund for \$102,367, and the Water Fund for \$153,551.

An advance of \$667,905 was made from the Cemetery Endowment to the Cemetery Fund to provide funding for capital expenditures. The Water Fund and Disposal Fund advanced the Cemetery and Aviation Funds a total of \$2,100,050 to provide funding for capital expenditures.

C. Transfers In/Out:

Transfers in and out for the year ended June 30, 2017, were as follows:

Funds	Transfers Out								Total
	General Fund	Public Facilities Development	Nonmajor Governmental Funds	Water	Disposal	Sewer	Nonmajor Enterprise Funds	Internal Service Fund	
Transfers In:									
General Fund	\$ -	\$ -	\$ 1,507,098	\$ 239,142	\$ 1,668	\$ 20,217	\$ -	\$ -	\$ 1,768,125
Local Transportation Fund	-	-	3,535,186	560,299	1,586,265	17,089	-	-	5,698,839
Nonmajor Governmental Funds	4,402,083	413,842	-	76,234	-	-	-	3,070,962	7,963,121
Water Fund	-	-	-	-	-	-	1,100,000	-	1,100,000
Sewer Fund	-	-	-	7,489	-	-	-	-	7,489
Internal Service Fund	1,700,000	-	-	-	-	-	-	-	1,700,000
Total	\$ 6,102,083	\$ 413,842	\$ 5,042,284	\$ 883,164	\$ 1,587,933	\$ 37,306	\$ 1,100,000	\$ 3,070,962	\$ 18,237,574

Interfund transfers were used for operations, deficit repayment, debt payment and general administration charges.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS

	Beginning Balance, as restated	Transfers	Additions	Deletions	Ending Balance
Government activities:					
Capital assets not being depreciated:					
Land	\$ 31,314,024	\$ -	\$ 2,975,328	\$ (3,813,902)	\$ 30,475,450
Water rights	408,125	-	-	-	408,125
Rights of way	439,846,428	-	9,033,062	-	448,879,490
Construction in progress	158,466	-	8,708,072	(158,466)	8,708,072
Total capital assets not being depreciated	<u>471,727,043</u>	<u>-</u>	<u>20,716,462</u>	<u>(3,972,368)</u>	<u>488,471,137</u>
Capital assets being depreciated:					
Infrastructure	214,366,834	-	5,855,021	(461,538)	219,760,317
Buildings and improvements	37,311,085	746,866	284,443	(3,842,540)	34,499,854
Machinery, equipment and vehicles	22,188,518	(261,778)	968,921	(4,151,109)	18,744,552
Total capital assets being depreciated	<u>273,866,437</u>	<u>485,088</u>	<u>7,108,385</u>	<u>(8,455,187)</u>	<u>273,004,723</u>
Less accumulated depreciation:					
Infrastructure	(81,627,533)	-	(4,642,603)	204,049	(86,066,087)
Buildings and improvements	(13,400,890)	(597,495)	(1,648,826)	889,223	(14,757,988)
Machinery, equipment and vehicles	(18,650,663)	243,918	(1,016,236)	3,899,761	(15,523,220)
Total accumulated depreciation	<u>(113,679,086)</u>	<u>(353,577)</u>	<u>(7,307,665)</u>	<u>4,993,033</u>	<u>(116,347,295)</u>
Total capital assets being depreciated, net	<u>160,187,351</u>	<u>131,511</u>	<u>(199,280)</u>	<u>(3,462,154)</u>	<u>156,657,428</u>
Governmental activities:					
Capital assets, net	<u>\$ 631,914,394</u>	<u>\$ 131,511</u>	<u>\$ 20,517,182</u>	<u>\$ (7,434,522)</u>	<u>\$ 645,128,565</u>
	Beginning Balance, as restated	Transfers	Additions	Deletions	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 28,326,014	\$ -	\$ -	\$ -	\$ 28,326,014
Water rights	9,881,460	-	-	-	9,881,460
Construction in progress	186,899	-	916,736	(79,553)	1,024,082
Total capital assets not being depreciated	<u>38,394,373</u>	<u>-</u>	<u>916,736</u>	<u>(79,553)</u>	<u>39,231,556</u>
Capital assets being depreciated:					
Infrastructure	167,270,096	-	3,511,219	(107,487)	170,673,828
Buildings and improvements	102,606,980	-	333,090	-	102,940,070
Machinery, equipment and vehicles	19,187,440	(471,670)	695,719	(2,268,201)	17,143,288
Total capital assets being depreciated	<u>289,064,516</u>	<u>(471,670)</u>	<u>4,540,028</u>	<u>(2,375,688)</u>	<u>290,757,186</u>
Less accumulated depreciation:					
Infrastructure	(71,130,480)	-	(3,233,360)	86,383	(74,277,457)
Buildings and improvements	(65,560,133)	-	(2,048,327)	-	(67,608,460)
Machinery, equipment and vehicles	(15,829,598)	340,159	(1,298,238)	2,236,115	(14,551,562)
Total accumulated depreciation	<u>(152,520,211)</u>	<u>340,159</u>	<u>(6,579,925)</u>	<u>2,322,498</u>	<u>(156,437,479)</u>
Total capital assets being depreciated, net	<u>136,544,305</u>	<u>(131,511)</u>	<u>(2,039,897)</u>	<u>(53,190)</u>	<u>134,319,707</u>
Business-type activities:					
Capital assets, net	<u>\$ 174,938,678</u>	<u>\$ (131,511)</u>	<u>\$ (1,123,161)</u>	<u>\$ (132,743)</u>	<u>\$ 173,551,263</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following functions in the Statement of Activities:

	Governmental Activities	Business-Type Activities
General government	\$ 357,198	\$ -
Public safety	735,025	-
Highway and streets	4,865,544	-
Culture and recreation	1,156,960	-
Water	-	3,237,293
Disposal	-	1,614,852
Sewer	-	1,551,604
Nonmajor proprietary funds	-	176,176
Internal service	192,938	-
Total	<u>\$ 7,307,665</u>	<u>\$ 6,579,925</u>

NOTE 5 – LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due within One year
Compensated absences	\$ 7,921,892	\$ 4,014,805	\$ 3,957,557	\$ 7,979,140	\$ 3,989,570
Claims payable	11,863,879	4,620,247	1,892,566	14,591,560	7,295,780
Net OPEB Obligation	23,302,014	4,605,875	272,773	27,635,116	-
2007 Series Taxable Pension					
Funding Bonds	17,290,000	-	2,060,000	15,230,000	2,280,000
Less: (accrued interest)	(708,159)	-	(74,570)	(633,589)	-
Certificate of Participation					
2003 Lease Revenue Refunding	1,370,000	-	775,000	595,000	595,000
Add: unamortized premium	96,010	-	48,004	48,006	-
Capital leases payable	1,087,992	-	226,823	861,169	113,242
I-Bank Sports Park Lease	1,568,792	-	53,830	1,514,962	55,525
Total governmental activities long-term liabilities	<u>\$ 55,468,931</u>	<u>\$ 13,240,927</u>	<u>\$ 9,211,983</u>	<u>\$ 67,821,364</u>	<u>\$ 14,329,117</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities of the internal service funds are included in governmental activities in the statement of net position. At year end, \$396,815 in compensated absences and \$3,343,500 in net OPEB obligations recorded in internal service funds are included in governmental activities. For the governmental activities, compensated absences and OPEB are generally liquidated by the General Fund.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable

The City has entered into lease agreements for various equipment purchases. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The assets acquired under capital leases are classified as machinery, equipment and vehicles. The total cost was \$3,104,363. The outstanding balance at June 30, 2017, is \$861,169.

The following schedule summarizes the debt to maturity payments for capital leases:

<u>Year Ending June 30,</u>		
2018	\$	136,924
2019		136,924
2020		136,924
2021		136,924
2022		136,924
2023 - 2026		<u>273,846</u>
Total minimum lease payments		958,466
Less: Amount representing interest		<u>(97,297)</u>
Total minimum lease payments	\$	<u><u>861,169</u></u>

2007 Taxable Pension Funding Bonds

On August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to refund the City's obligation to PERS, reimburse the City for its payment of a portion of its fiscal year ended 2008 unfunded liability and pay the costs of issuance of the bonds. Interest is payable February 1 and August 1 of each year commencing on February 1, 2008. Interest rate is 5.233 percent with annual principal payments plus accreted value commencing February 1, 2008. The amount outstanding at June 30, 2017, is \$15,230,000.

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>2007 Taxable Pension Funding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,280,000	\$ 775,679
2019	2,515,000	646,859
2020	1,220,000	505,506
2021	1,345,000	441,470
2022	1,480,000	370,656
2023 - 2027	2,450,000	1,122,559
2028 - 2032	1,480,000	968,813
2033 - 2037	<u>2,460,000</u>	<u>463,907</u>
	15,230,000	
Less unaccreted interest	<u>(633,589)</u>	
Totals	<u>\$ 14,596,411</u>	<u>\$ 5,295,449</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation

2003 Lease Revenue Refunding Certificates of Participation

On May 28, 2003, the Redlands Financing Authority issued \$16,620,000 of Lease Revenue Refunding Certificates of Participation. The certificates were issued to retire \$18,145,000 outstanding Certificates of Participation dated in 1993. They represented the interests of the owners thereof in lease payments to be made by the City to the Redlands Financing Authority for the use and occupancy of certain public capital facilities refinanced with the proceeds of the prior certificates and the real property upon which they are situated.

The Certificates mature on September 1 of each year, beginning September 1, 2006 through September 1, 2017, in amounts ranging from \$595,000 to \$1,785,000. The interest will be calculated from September 1, 2003, at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments coming due during the six months preceding each interest payment date. The interest rates will range from 2.2 percent to 5 percent.

2003 Lease Revenue Refunding Certificates of Participation

The outstanding balance at June 30, 2017, was \$595,000 with an unamortized premium of \$48,006.

The following schedule summarizes the annual debt service requirements:

<u>Year Ending June 30,</u>	<u>2003 Lease Revenue Refunding COP</u>	
	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 595,000</u>	<u>\$ 14,875</u>

I-Bank Sports Park Lease Payable

On December 1, 2006, the City entered into this agreement for the purpose of obtaining additional funds to complete the Sports Park project. The City has agreed to pay the amount over thirty years commencing on the date of the lease, which carries an annual interest rate of 3.15 percent with principal and interest payments due every six months starting August 1, 2007, and the final payment to be made on August 1, 2036. The City pledged the Community Center to obtain this loan with I-Bank. At June 30, 2017, the outstanding balance of the I-Bank Sports Park lease payable balance was \$1,514,962.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 55,525
2019	57,274
2020	59,078
2021	60,940
2022	62,859
2023 - 2027	345,274
2028 - 2032	403,190
2033 - 2037	470,822
Total	<u>\$ 1,514,962</u>

Business-Type Activities

The following is a summary of changes in business-type long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due within One year
Compensated absences	\$ 995,752	\$ 1,267,809	\$ 1,249,755	\$ 1,013,806	\$ 522,121
Net OPEB obligation	13,192,413	2,186,254	99,965	15,278,702	-
Landfill closure	7,710,660	204,820	-	7,915,480	-
Revenue Bonds:					
2012A Wastewater Refunding	1,950,000	-	960,000	990,000	990,000
Add: unamortized premium	71,443	-	71,443	-	-
2013A Solid Waste Revenue	11,240,000	-	1,185,000	10,055,000	1,235,000
Add: unamortized premium	1,266,313	-	182,991	1,083,322	-
Total	<u>36,426,581</u>	<u>3,658,883</u>	<u>3,749,154</u>	<u>36,336,310</u>	<u>2,747,121</u>
Notes payable:					
California recycled water project	2,909,676	-	292,297	2,617,379	299,604
Safe drinking water project	3,553,936	-	302,315	3,251,621	309,430
I-Bank solid waste	2,936,607		116,806	2,819,801	120,321
I-Bank City streets	-	3,030,300	-	3,030,300	117,895
Hinkley water treatment plant upgrade	9,419,095	-	208,885	9,210,210	425,348
Total notes payable	<u>18,819,314</u>	<u>3,030,300</u>	<u>920,303</u>	<u>20,929,311</u>	<u>1,272,598</u>
Total business-type activities long-term liabilities	<u>\$ 55,245,895</u>	<u>\$ 6,689,183</u>	<u>\$ 4,669,457</u>	<u>\$ 57,265,621</u>	<u>\$ 4,019,719</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

2012A Wastewater Refunding Revenue Bonds

Wastewater Refunding Revenue Bonds 2012 Series A (issue amount of \$4,655,000), consists of serial bonds with varying interest rates from 2 percent to 4 percent. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually September 1, 2013 through September 1, 2017. The revenues of the Wastewater Fund are pledged as security toward the payment of this debt. The net proceeds were used to refinance the 1999A Wastewater Refunding Revenue Bonds. The amount outstanding at June 30, 2017, was \$990,000.

The annual debt service requirement follows:

Year Ending June 30,	2012A Wastewater Revenue Refunding Bonds	
	Principal	Interest
2018	\$ 990,000	\$ 19,800

2013A Solid Waste Revenue Bonds

The \$13,500,000 of Solid Waste Revenue Bonds, issue of 2013, Series A, consists of serial bonds with varying interest rates from 3 percent to 5 percent. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually September 1, 2014 through September 1, 2023. The revenues of the Disposal Fund are pledged as security toward the payment of this debt. The proceeds were used to finance a portion of the cost of acquisition and construction of street improvements within the City of Redlands. The amount outstanding at June 30, 2017, was \$10,055,000 with an unamortized premium of \$1,083,322.

The annual debt service requirements are as follows:

Year Ending June 30,	2013A Solid Waste Revenue Refunding Bonds	
	Principal	Interest
2018	\$ 1,235,000	\$ 465,700
2019	1,290,000	408,750
2020	1,360,000	342,500
2021	1,430,000	272,750
2022	1,500,000	199,500
2023-2025	3,240,000	164,000
Totals	\$ 10,055,000	\$ 1,853,200

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenues

The City has pledged future wastewater and solid waste revenues, net of specified operating expenses to repay revenue bonds. Net revenues are defined in the 2012A (Wastewater) and 2013A (Solid Waste) bond documents as operating income, less specified operating expenses, plus specified non-operating income. The 2012A bonds are payable through 2018 and the 2013A bonds are payable through 2025. The anticipated percentage of net revenues, current year net revenues, annual debt service requirements, and total remaining debt service follows:

<u>Bond Issuance</u>	<u>Anticipated Net Revenue %</u>	<u>Annual Net Revenues</u>	<u>Annual Debt Service Requirements</u>	<u>Ratio of Net Revenue to Annual Debt Service</u>	<u>Remaining Debt Service Requirements</u>
2012A Wastewater	110%	\$ 6,088,341	\$ 1,018,800	598%	\$ 1,009,800
2013A Solid Waste	110%	3,988,325	1,699,100	235%	11,908,200

Notes Payable

On September 2, 2003, the City entered into a loan agreement with the California Water Resources Control Board in the amount of \$7,918,234 to assist in financing the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant. The note carries an annual interest rate of 2.5 percent with principal and interest payments due annually starting November 30, 2005. The amount outstanding at June 30, 2017, was \$2,617,379.

On January 30, 2004, the City entered into a loan agreement with the State of California, Department of Water Resources in the amount of \$1,664,876 to assist in financing construction of a project which will enable the City to meet safe drinking water standards. As of June 30, 2006, the loan had been increased to \$6,100,844. The note carries an annual interest rate of 2.34 percent with principal and interest payments due every six months starting January 1, 2006. At June 30, 2017, the City has \$3,251,621 in outstanding principal.

On June 21, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Hinckley water treatment plant upgrade. The City may borrow up to \$13,663,033 or the eligible costs of the project, whichever is less. The loan has an interest rate of 2.5017 percent with maturities through 2034. Principal and interest is due every six months starting January 1, 2011. The outstanding balance at June 30, 2017, is \$9,210,210.

On March 2, 2015, the City entered into an agreement for the purpose of obtaining additional funds to complete the Solid Waste project. The City has agreed to pay the amount over twenty years commencing on the date of the loan, which carries an annual interest rate of 3.01 percent with principal and interest payments due every six months starting August 1, 2015. At June 30, 2017, the outstanding balance of the loan was \$2,819,801.

On July 1, 2016, the City entered into an agreement for the purpose of obtaining funds to for the City Streets project. The City has agreed to pay the amount over twenty years commencing on the date of the loan, which carries an annual interest rate of 3.24 percent with principal and interest payments due every six months starting August 1, 2017. At June 30, 2017, the outstanding balance of the loan was \$3,030,300.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

The annual requirements for the notes payable outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Total Notes Payable	
	Principal	Interest
2018	\$ 1,272,598	\$ 546,828
2019	1,305,522	513,790
2020	1,339,305	479,886
2021	1,373,971	445,096
2022	1,409,544	435,457
2023 - 2027	6,683,747	1,460,890
2028 - 2032	4,592,454	752,369
2033 - 2037	2,952,170	139,035
Totals	<u>\$ 20,929,311</u>	<u>\$ 4,773,351</u>

NOTE 6 – CLAIMS PAYABLE

On June 30, 2017, and throughout 2016-2017, the City was self-insured for the first \$1,000,000 per occurrence for commercial general liability and automobile liability. The City purchased excess liability insurance to provide additional coverage of \$10,000,000 per occurrence with a \$10,000,000 aggregate. The City also purchased airport liability insurance including commercial general liability, Personal & Advertising Injury, Products Completed, and Hanger keepers Limit in a single limit liability amount of \$10,000,000 per occurrence. For workers' compensation and employer's liability, the City was self-insured for \$1,000,000 per occurrence with excess coverage of \$25,000,000 for worker's compensation per occurrence with a \$25,000,000 aggregate, and \$1,000,000 for employer's liability per occurrence.

At June 30, 2017, \$6,478,383 and \$8,113,177 have been accrued for general liability and workers' compensation claims, respectively. All funds of the City participate in the worker's compensation program and make payments to the Workers' Compensation Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The Liability Insurance Internal Service Fund receives an annual operating transfer from the General Fund to cover operating costs including payment of claims. The liability for unpaid claims for general liability and workers' compensation is discounted to reflect anticipated future investment earnings, assuming a five percent interest rate. Settled claims have not exceeded the commercial coverage in the past three years.

The accruals indicated above represent estimates of amounts to be paid for reported claims and incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2017 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – CLAIMS PAYABLE (CONTINUED)

Reconciliation of the changes in the City’s aggregate liabilities for the year ended June 30, 2017, is as follows:

2016-2017	Beginning of Year, as restated	Claims and Changes in Estimate	Claim Payments	End of Year
Liability claims	\$ 4,821,559	\$ 2,226,531	\$ 569,707	\$ 6,478,383
Workers' compensation	7,042,320	2,393,716	1,322,859	8,113,177
Total	<u>\$ 11,863,879</u>	<u>\$ 4,620,247</u>	<u>\$ 1,892,566</u>	<u>\$ 14,591,560</u>

2015-2016	Beginning of Year	Claims and Changes in Estimate	Claim Payments	End of Year
Liability claims	\$ 1,492,318	\$ 4,866,076	\$ 1,536,835	\$ 4,821,559
Workers' compensation	1,955,446	6,120,486	1,033,612	7,042,320
Total	<u>\$ 3,447,764</u>	<u>\$ 10,986,562</u>	<u>\$ 2,570,447</u>	<u>\$ 11,863,879</u>

NOTE 7 – FUND BALANCE AND NET POSITION

A. Fund Balance Classifications

At June 30, 2017, the City reports the following fund balance classifications:

	General	Local Transportation	Public Facilities Development	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable					
Prepaid costs	\$ 151,551	\$ -	\$ 48	\$ 3,467	\$ 155,066
Corpus of endowment	-	-	-	1,536,966	1,536,966
Advances to other funds	8,366,443	-	-	999,086	9,365,529
Restricted					
Public Safety	-	-	-	601,641	601,641
Police programs and equipment	-	-	-	1,436,389	1,436,389
Street reconstruction/improvement projects	-	-	-	3,034,865	3,034,865
Debt service	-	-	-	2,416,453	2,416,453
Storm drain improvements	-	-	-	1,832,151	1,832,151
CFD assessment	-	-	-	242,204	242,204
Committed					
Stabilization agreement	8,122,332	-	-	-	8,122,332
Park and open space acquisition/improvement	-	-	-	995,390	995,390
Downtown Redlands Business Association	-	-	-	138,958	138,958
Street reconstruction/improvement projects	-	-	-	6,878,900	6,878,900
Assigned					
Public works	756,484	-	-	-	756,484
Capital projects	1,374,432	-	-	3,419,978	4,794,410
Unassigned	13,927,733	(1,721,646)	(8,347,264)	(401,887)	3,456,936
Total Fund Balances	<u>\$ 32,698,975</u>	<u>\$ (1,721,646)</u>	<u>\$ (8,347,216)</u>	<u>\$ 23,134,561</u>	<u>\$ 45,764,674</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – FUND BALANCE AND NET POSITION (CONTINUED)

B. Fund Balance/Net Position Deficits

Refer to Note 1 I for further discussion on fund balance classifications.

At June 30, 2017, the following non-major funds have fund deficits:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Parking Authority	\$ 44,130
General Capital Improvement	218,545
Community Development Block Grant	80,102
Disaster Recovery	59,110
Enterprise Fund:	
Cemetery	1,650,860
Internal Service Funds:	
Liability Self-Insurance	4,588,189
Information Technology	1,633,632
Workers' Compensation Self-Insurance	7,260,176
Equipment Maintenance	1,004,973
Utility Billing	300,499
Payroll Clearing	408,572

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The City of Redlands participates in the California Public Employees Retirement System (CalPERS), a pension plan available to all qualified employees. The Safety Plan is a cost-sharing multiple employer defined benefit pension plan. The Miscellaneous Plan is an agent multiple employer defined benefit pension plan. A summary of pension amounts for the City’s plans at June 30, 2017 is presented below:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>	<u>Total</u>
Deferred outflows - pensions	\$ 14,629,981	\$ 9,681,197	\$ 24,311,178
Net pension liability	64,784,346	38,139,589	102,923,935
Deferred inflows - pensions	2,963,125	1,566,711	4,529,836
Pension expense	7,616,420	3,507,771	11,124,191

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City’s Safety (Police and Fire) Employee Pension Plan (Safety Plan), a cost sharing multiple employer defined benefit pension plan, or the City’s Miscellaneous Plan, an agent-multiple-employer defined benefit pension plan, both administered by CalPERS. The CalPERS Safety Plan consists of safety pools (referred to as “risk pools”), which are comprised of individual employer safety rate plans. The risk pools are included within the Public Employees’ Retirement Fund C (PERF C). For the Miscellaneous Plan, CalPERS acts as a common investment and administrative agent for its participating member employers, and are included within Public Employees’ Retirement Fund A (PERF A). Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided

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

The Plans’ provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous		
	Tier 1	PEPRA	
Hire Date	Prior to January 1, 2013	January 1, 2013 and after	
Benefit formula	2.0% @ 55	2.0% @ 62	
Benefit vesting schedule	5 years of service	5 years of service	
Benefit payments	monthly for life	monthly for life	
Retirement age	minimum 50 yrs	minimum 52 yrs	
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.000% - 2.500%	
Required employee contribution rates	50 yrs - 63+ yrs, 7.000%	52 yrs - 67+ yrs, 6.500%	
Required employer contribution rates	18.302%	18.302%	
	Safety Cost-Sharing Rate Plans		
	Safety Fire	Safety Police	PEPRA Police
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	3.0% @ 50	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	3.000%, 50+ yrs	3.000%, 50+ yrs	2.000% - 2.700%
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	21.230%	21.230%	12.821%

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees Covered

As of the valuation date of June 30, 2015, the most recent valuation date, the following employees were covered by the benefit terms of the Miscellaneous Plan:

	<u>Miscellaneous</u>
Active members	296
Transferred members	127
Terminated members	114
Retired members and beneficiaries	<u>442</u>
Total	<u><u>979</u></u>

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plans totaled \$5,886,486 for the Safety Plan and \$3,705,781 for the Miscellaneous Pan during the fiscal year.

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

Proportionate Share of the Net Pension Liability – Safety Plan

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan of \$64,784,346.

The City’s net pension liability for the Plan was measured as the proportionate share of the collective net pension liability of the cost-sharing plan. The net pension liability of the Plan was measured as of June 30, 2016, and the total pension liability for 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. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers. The City’s proportionate share of the collective net pension liability of the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Safety</u>
Proportion - June 30, 2015	<u>0.73768%</u>
Proportion - June 30, 2016	<u>0.74868%</u>
Change - Increase (Decrease)	<u><u>0.01100%</u></u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following assumptions for both Plans:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% ⁽¹⁾
Mortality	Derived using CalPERS' membership data for all funds

⁽¹⁾ Net of pension plan investment expenses, including inflation.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for each plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the district's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.65 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the pension funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global 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	<u>100.0%</u>		

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

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

Changes in the Net Pension Liability – Miscellaneous Plan

The City’s net pension liability for the Miscellaneous Plan was measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown under the section Actuarial Assumptions within this note.

The Net Pension Liability for the City’s Miscellaneous as of June 30, 2017 was \$38,139,589. The changes in the Net Pension Liability for the Plan are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Postion (b)	Net Position Liability/(Assets) (c)=(a)-(b)
Balance at June 30, 2015	\$ 141,497,359	\$ 110,371,919	\$ 31,125,440
Changes Recognized for the Measurement Period			
Service Cost	2,780,753	-	2,780,753
Interest on the Total Pension Liability	10,539,757	-	10,539,757
Difference between Expected and Actual Experience	(1,148,342)	-	(1,148,342)
Contributions from the Employer	-	3,297,550	(3,297,550)
Contributions from the Employee	-	1,324,766	(1,324,766)
Net Investment Income	-	602,969	(602,969)
Benefit Payments	(7,929,573)	(7,929,573)	-
Administrative Expense	-	(67,266)	67,266
Net changes	<u>4,242,595</u>	<u>(2,771,554)</u>	<u>7,014,149</u>
Balance at June 30, 2016	<u>\$ 145,739,954</u>	<u>\$ 107,600,365</u>	<u>\$ 38,139,589</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows and Inflows of Resources

Safety Plan:

For the year ended June 30, 2017, the City recognized pension expense of \$7,616,420 for the Safety Plan. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 5,886,486	\$ -
Change of assumptions	-	1,734,569
Difference between Expected and Actual Experience	-	397,830
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,521,858	-
Changes in proportion and difference between City's contributions and proportionate share of contributions	221,637	830,726
Total	\$ 14,629,981	\$ 2,963,125

\$5,886,486 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (453,318)
2019	65,953
2020	3,949,246
2021	2,218,489
Total	\$ 5,780,370

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Miscellaneous Plan:

For the year ended June 30, 2017, the City recognized pension expense of \$3,507,771 for the Miscellaneous Plan. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,705,781	\$ -
Change of assumptions	-	801,149
Difference between Expected and Actual Experience	111,506	765,562
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,863,910	-
Total	\$ 9,681,197	\$ 1,566,711

\$3,705,781 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurment Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (266,739)
2019	422,904
2020	2,715,436
2021	1,537,104
Total	\$ 4,408,705

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

The following presents the net pension liability of each of the Plans 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	\$ 56,554,211	\$ 38,139,589	\$ 22,839,315
Safety Plan's proportionate share of collective net pension liability	98,566,505	64,784,346	36,972,073

Pension Plan Fiduciary Net Position

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS PLAN

In addition to the pension benefits, the City provides post-retirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City.

Plan Description

The City administers a defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays up to the entire cost of health benefits for eligible retirees and their spouses until age 65 subject to the City's vesting schedule. After age 65, the City contributes a flat monthly rate of \$397 for those employees who retire under the PERS retirement system and subscribe to the PERS Health Insurance System, in accordance with the Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. Annual increases in the monthly rate are limited to \$20 and based upon the annual increase in PERS family premiums. In addition, the City also contributed the entire monthly premium for health insurance for all employees who retire with the City and have a minimum of 15 years of cumulative service with the City, or 20 years depending on the particular bargaining units.

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2016-17, the City contributed \$3,212,437 to the plan from the General Fund. Upon retirement, City's employees who are not eligible for fully paid medical benefits based on service may elect to convert the value of their sick leave for payment of the balance of the premiums which are not paid by the City.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and net OPEB obligation at the beginning and end of the year:

Annual required contribution	\$ 10,004,566
Interest on net OPEB obligation	1,459,777
Adjustment to annual required contribution	<u>(1,832,515)</u>
Annual OPEB cost (expense)	9,631,828
Contributions made	<u>3,212,437</u>
Increase in Net OPEB obligation	6,419,391
Net OPEB obligation - beginning of year	<u>36,494,427</u>
Net OPEB obligation - end of year	<u>\$ 42,913,818</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 and the two preceding years were as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution (Net of Adjustments)</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 8,888,072	\$ 3,308,666	37.2%	\$ 30,980,798
6/30/2016	9,034,874	3,521,245	39.0%	36,464,427
6/30/2017	9,631,828	3,212,437	33.4%	42,913,818

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
6/30/2015	\$ -	\$ 112,055,821	\$ 112,055,821	0%	\$ 30,826,085	363.51%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.25 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 1 percent per year for the first three years then decrements of .5 percent to an ultimate rate of 5 percent after the seventh year. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over an open-period basis using a 30 year amortization period. It is assumed the City's payroll will increase 3 percent per year.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – CONTINGENCIES

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

In 1998, the voters of California approved Proposition No. 11 which amended Article XIII, Section 29 of the California Constitution to allow cities and counties to enter into contracts to apportion sales and use tax revenue, by ordinance or resolution, and upon approval by a two-thirds vote of the legislative bodies of the parties to the contract. The City has provided in its contract with the County of San Bernardino that the benefit of receiving the sales and use tax revenue generated by businesses located in the unincorporated area of the Donut Hole, in exchange for the City's provision of municipal services, will terminate on December 31, 2003, unless an extension of the term of the contract beyond December 31, 2003, is consented to by a majority vote of the qualified voters of the City. The term has been extended beyond December 31, 2003, under the Ordinance No. 2550. The County of San Bernardino and the City apportion the sales and use tax revenue generated by businesses located in the Donut Hole generally on the basis of ninety percent (90 percent) of such sales and use tax revenue being provided to the City and ten percent (10 percent) of such sales and use tax revenue being provided to the County.

NOTE 11 – CONSTRUCTION COMMITMENTS

The following material construction commitments existed at June 30, 2017:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2017</u>	<u>Remaining Commitments</u>
Redlands Entry Landscape Beautification Project	\$ 1,360,464	\$ -	\$ 1,360,464
Digester 1 & 2 Recoating Project	366,520	-	366,520

NOTE 12 – SOLID WASTE LANDFILL

State and federal laws and regulations require the City to provide financial assurance for closure and post closure costs of the California Street Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for fifteen years after closure. Although closure and post closure activities will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7,915,480 reported as landfill closure and post closure liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 63.62 percent of the total estimated capacity of the landfill including final covering. The City will recognize the remaining estimated costs of closure and post closure care of \$800,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and post closure activities in 2017 dollars. The City expects to close the landfill in the year 2042. Actual costs may differ due to inflation, changes in technology or changes in regulations.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – SOLID WASTE LANDFILL (CONTINUED)

The City is required by state and federal laws and regulations to maintain adequate funds to provide financial assurance for closure and post closure costs through one of a combination of alternative mechanisms. For closure costs, the City has established an enterprise fund mechanism with a separate fund, the California Street Landfill Closure fund. For post closure costs, the City has entered into a Pledge of Revenue Agreement with the California Integrated Waste Management Board. The City is in compliance with these requirements. At June 30, 2017, \$6,433,509 is held for landfill closure. The City expects that future inflation costs will be paid from future annual operating revenues in the enterprise fund. Post closure costs are agreed to be covered by revenue from solid waste customer billings which is deposited directly into the Disposal enterprise fund.

NOTE 13 – DEBT WITHOUT GOVERNMENT COMMITMENT

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying basic financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75 percent to 6.45 percent. The outstanding balance at June 30, 2017, was \$5,335,000.

In February 2004, the City issued for and on behalf of the Community Facilities District No. 2003-1 (Redlands Business Center) \$9,545,000 aggregate principal amount of 2004 Special Tax Bonds to finance the acquisition and construction of certain street improvements, sewers, storm drains, water distribution facilities, and other public improvements within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2006 to 2021 are serial bonds payable in annual installments of \$20,000 to \$270,000, while bonds maturing in the year 2027 in the amount of \$2,255,000 and bonds maturing in the year 2033 in the amount of \$5,280,000 are term bonds. The interest rates on the bonds range from 2.5 percent to 5.9 percent. The outstanding balance at June 30, 2017, was \$8,495,000.

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – SUCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Redlands that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On November 1, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

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

A. Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,194,692
Cash and investments with fiscal agent	1,586
	<u>\$ 3,196,278</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – SUCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

B. Notes Receivable

A note in the amount of \$40,000 is receivable in monthly installments of \$182 beginning in July 2010, including interest payments at 0.9 percent due from inception. The note is secured by the deed of trust and assignment of rents and is guaranteed by the debtor. The full amount will be due in June 2030. An additional note of \$150,000 is receivable in monthly installments of \$658 beginning in October 2011, including an interest at 0.51 percent due from inception with annual adjustments to reflect the LAIF rate up to a maximum percentage of 3.17 percent. The note is secured by the deed of trust. The full amount will be due in October 2031. As of June 30, 2017, the notes receivable balance is \$110,263.

C. Capital Assets

An analysis of capital assets as of June 30, 2017, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Fiduciary Activities:				
Capital assets not being depreciated:				
Land	\$ 2,733,418	\$ -	\$ (30,275)	\$ 2,703,143
Right of way	100,000	-	-	100,000
Total capital assets not being depreciated	<u>2,833,418</u>	<u>-</u>	<u>(30,275)</u>	<u>2,803,143</u>
Capital assets being depreciated:				
Infrastructure	38,092	-	-	38,092
Machinery, equipment and vehicles	13,418	-	(13,418)	-
Total capital assets being depreciated	<u>51,510</u>	<u>-</u>	<u>(13,418)</u>	<u>38,092</u>
Less accumulated depreciation:				
Infrastructure	(4,762)	(952)	-	(5,714)
Machinery, equipment and vehicles	(13,418)	-	13,418	-
Total accumulated depreciation	<u>(18,180)</u>	<u>(952)</u>	<u>13,418</u>	<u>(5,714)</u>
Total capital assets being depreciated, net	<u>33,330</u>	<u>(952)</u>	<u>-</u>	<u>32,378</u>
Fiduciary activities:				
Capital assets, net	<u>\$ 2,866,748</u>	<u>\$ (952)</u>	<u>\$ (30,275)</u>	<u>\$ 2,835,521</u>

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – SUCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

D. Long-Term Debt

The following is a summary of changes in the long-term liabilities of the Successor Agency as of June 30, 2017:

	Balance June 30, 2016	Additions	Repayments	Balance June 30, 2017	Due within One year
Fiduciary Activities					
2016 Refunding Series A	\$ 13,925,000	\$ -	\$ 2,470,000	\$ 11,455,000	\$ 1,740,000
Add: unamortized premium	1,189,330	-	195,505	993,825	-
2016 Refunding Series B	2,685,000	-	370,000	2,315,000	375,000
Less: unamortized discount	(21,094)	-	(3,467)	(17,627)	-
Total	\$ 17,778,236	\$ -	\$ 3,032,038	\$ 14,746,198	\$ 2,115,000

2016A & B Tax Allocation Bonds

In March of 2016, the Agency issued \$16,610,000 in 2016 Tax Allocation Bonds, Series A and B, with interest rates ranging from 1.00 percent to 4.00 percent. The proceeds of the bonds were used to refund the 1998A, 2003A and 2007A Tax Allocation Bond, to fund a deposit to a debt service reserve account, and to pay costs incurred in connection with the issuance, sale and delivery of the Series 2016A & B bonds. Interest is payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2016. Principal is payable on August 1 each year, commencing August 1, 2016. As of June 30, 2017, the outstanding principal balance on the bonds is \$13,770,000.

The annual debt service requirements are as follows:

Year Ending June 30,	2016A & B Tax Allocation Bonds	
	Principal	Interest
2018	\$ 2,115,000	\$ 456,031
2019	2,170,000	388,875
2020	2,240,000	309,638
2021	2,330,000	226,363
2022	2,435,000	141,063
2023	2,480,000	44,668
Totals	\$ 13,770,000	\$ 1,566,638

CITY OF REDLANDS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 – TAX ABATEMENTS – ECONOMIC DEVELOPMENT INCENTIVES

GASB Statement No. 77 defines tax abatements as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens. According to GASB No. 77, the substance of these agreements meet the definition of “tax abatements” as the revenues received were not available for general municipal services purposes, but rather used to effectively reduce the net tax liability of certain taxpayers per the conditions of an agreement.

The City offers an economic development incentive program to the entities that propose to locate or expand already established businesses within the City. This incentive program is expected to provide a stimulus to the City’s economy, increase the tax base and create jobs. Each of the agreements entered into by the City, provides for a rebate of taxes paid to the City according to formulas contained in the agreements. These limited term agreements provide for a sharing of the taxes (percentage rebates) above certain amounts with a maximum rebate not to exceed the cost of a business’ improvements and/or development impact fees. The City generally expects to receive increased revenue as a result of these agreements. These incentive agreements require approval by the City Council.

The City currently has six of these agreements in effect. For the fiscal year ended June 30, 2017, under this program the City had abatements of sales tax totaling \$344,922. Pursuant to the Sales and Use Tax law (chapter 8 – Article 1 – section 7056), in order to protect the confidential information of sales taxes collected and abatements provided to each of the specific agencies, the City has presented the aggregate amount abated during the current fiscal year.

NOTE 16 – RESTATEMENT TO BEGINNING NET POSITION / FUND BALANCE

The City performed a capital asset inventory and, accordingly, adjusted the beginning balances of capital assets net of accumulated depreciation. Additionally, adjustments to the claims liabilities for the workers compensation and liability self-insurance internal service funds were recorded. The City also recorded its match in the general capital improvement fund as of the beginning of the year. The impacts to beginning net position/fund balance are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning of the year, as previously reported		
Net position	\$ 555,582,180	\$ 180,521,700
Adjustment to correct capital assets net of accumulated depreciation	6,927,184	(6,238,334)
Adjustment to correct claims liabilities	(8,323,489)	
Adjustment to reflect allocation of internal service funds	1,384,631	(1,384,631)
Adjustment to reflect local match in capital projects fund	43,978	
Beginning of the year, as restated	<u>\$ 555,614,484</u>	<u>\$ 172,898,735</u>

	<u>General Fund</u>	<u>Nonmajor governmental funds</u>	<u>Internal service funds</u>	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>
Beginning of the year, as previously reported						
Fund balance/net position	\$ 32,168,791	\$ 21,861,805	\$ (3,393,704)	\$ 111,814,114	\$ (374,417)	\$ 49,706,548
Adjustment to correct capital assets net of accumulated depreciation	(165,476)		(44,215)	(4,753,830)	(37,625)	(1,397,320)
Adjustment to correct claims liabilities			(8,323,489)			
Adjustment to reflect local match in nonmajor fund		43,978				
Beginning of the Year, as restated	<u>\$ 32,003,315</u>	<u>\$ 21,905,783</u>	<u>\$ (11,761,408)</u>	<u>\$ 107,060,284</u>	<u>\$ (412,042)</u>	<u>\$ 48,309,228</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULES BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 32,973,128	\$ 30,159,032	\$ 32,168,791	\$ 2,009,759
Resources (Inflows):				
Taxes	47,604,333	48,497,038	48,727,352	230,314
Licenses and permits	6,060,615	5,895,394	6,331,146	435,752
Intergovernmental	140,500	196,307	308,734	112,427
Charges for services	7,342,228	6,653,320	7,061,994	408,674
Use of Money & Property	184,200	221,323	51,750	(169,573)
Miscellaneous	103,170	986,791	1,223,837	237,046
Transfers in	2,061,575	2,311,856	1,768,125	(543,731)
Proceeds from Sale of Property	809,315	789,424	1,845,826	1,056,402
Amounts Available for Appropriations	97,279,064	95,710,485	99,487,555	3,777,070
Charges to Appropriations (Outflow):				
General Government				
City council	280,482	354,722	349,707	5,015
City clerk	303,426	277,244	273,927	3,317
City manager	949,961	1,261,512	1,255,885	5,627
Finance	2,104,125	1,930,079	1,781,059	149,020
City attorney	577,572	573,353	577,979	(4,626)
Human resources	3,898,136	3,565,818	3,223,725	342,093
Building maintenance	3,488,501	3,308,230	3,106,379	201,851
Development services	1,304,850	1,349,328	1,279,288	70,040
Public safety				
Police	25,146,203	25,141,697	24,287,337	854,360
Fire	12,427,847	12,574,299	12,903,114	(328,815)
Culture and recreation				
Community services	810,997	868,136	847,312	20,824
Parks	1,607,755	1,781,419	1,665,645	115,774
Highway and streets				
Quality of life	3,028,881	3,258,142	3,304,854	(46,712)
Engineering	575,142	670,754	695,622	(24,868)
Library	2,011,354	1,974,102	1,942,607	31,495
Capital outlay	74,000	2,251,616	2,768,011	(516,395)
Debt service	258,609	258,609	258,609	-
Transfers out	5,501,568	6,014,820	6,102,083	(87,263)
Total Charges to Appropriations	64,349,409	67,413,880	66,623,143	790,737
Budgetary Fund Balance, June 30	\$ 32,929,655	\$ 28,296,605	\$ 32,864,412	\$ 4,567,807

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (582,447)	\$ (582,447)	\$ (582,447)	\$ -
Resources (Inflows):				
Intergovernmental	-	1,257,036	1,364,152	107,116
Use of money and property	20,000	20,000	(4,144)	(24,144)
Miscellaneous	5,000	138,429	1,564,807	1,426,378
Transfers in	2,125,507	7,125,507	5,698,839	(1,426,668)
Amounts Available for Appropriations	<u>1,568,060</u>	<u>7,958,525</u>	<u>8,041,207</u>	<u>82,682</u>
Charges to Appropriations (Outflow):				
Highway and streets	686,368	784,044	881,750	(97,706)
Capital outlay	8,220,502	9,804,180	8,881,103	923,077
Total Charges to Appropriations	<u>8,906,870</u>	<u>10,588,224</u>	<u>9,762,853</u>	<u>825,371</u>
Budgetary Fund Balance, June 30	<u>\$ (7,338,810)</u>	<u>\$ (2,629,699)</u>	<u>\$ (1,721,646)</u>	<u>\$ 908,053</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (8,362,304)	\$ (8,362,304)	\$ (8,362,304)	\$ -
Resources (Inflows):				
Licenses and permits	1,532,000	373,132	446,214	73,082
Amounts Available for Appropriations	(6,830,304)	(7,989,172)	(7,916,090)	73,082
Charges to Appropriations (Outflow):				
Highway and streets	17,884	2,554	11,423	(8,869)
Debt service				
Interest and fiscal charges	-	-	5,861	(5,861)
Transfers out	535,527	413,842	413,842	-
Total Charges to Appropriations	553,411	416,396	431,126	(14,730)
Budgetary Fund Balance, June 30	\$ (7,383,715)	\$ (8,405,568)	\$ (8,347,216)	\$ 58,352

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN – AGENT MULTIPLE EMPLOYER PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 2,703,390	\$ 2,735,046	\$ 2,780,753
Interest	9,786,094	10,224,502	10,539,757
Difference between expected and actual experience	-	334,519	(1,148,342)
Changes in assumptions	-	(2,403,446)	-
Benefit payments, including refunds of employee contributions	(7,031,419)	(7,496,594)	(7,929,573)
Net Change in Total Pension Liability	5,458,065	3,394,027	4,242,595
Total Pension Liability - Beginning	132,645,267	138,103,332	141,497,359
Total Pension Liability - Ending (a)	\$ 138,103,332	\$ 141,497,359	\$ 145,739,954
PLAN FIDUCIARY NET POSITION			
Contribution - Employer	\$ 2,614,893	\$ 2,749,274	\$ 3,297,550
Contribution - Employee	1,378,971	1,219,187	1,324,766
Net investment income	16,743,903	2,473,614	602,969
Benefit payments, including refunds of employee contributions	(7,031,419)	(7,496,594)	(7,929,573)
Administrative expense	-	(121,971)	(67,266)
Net Change in Fiduciary Net Position	13,706,348	(1,176,490)	(2,771,554)
Plan Fiduciary Net Position - Beginning	97,842,061	111,548,409	110,371,919
Plan Fiduciary Net Position - Ending (b)	\$ 111,548,409	\$ 110,371,919	\$ 107,600,365
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 26,554,923	\$ 31,125,440	\$ 38,139,589
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.77%	78.00%	73.83%
Covered Payroll	\$ 17,019,956	\$ 17,548,793	\$ 18,953,660
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	156.02%	177.37%	201.23%

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

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
MISCELLANEOUS PLAN – AGENT MULTIPLE EMPLOYER PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015	2016	2017
Actuarially Determined Contribution	\$ 2,749,274	\$ 3,297,550	\$ 3,705,781
Contribution in Relation to the Actuarially Determined Contribution	(2,749,274)	(3,297,550)	(3,705,781)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 17,548,793	\$ 18,953,660	\$ 20,199,995
Contributions as a Percentage of Covered Payroll	15.67%	17.40%	18.35%

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

Note to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method/period	Level percentage of payroll, closed
Assets valuation method	Market value
Inflation	2.75%
Salary increases	3.30% to 14.20%
Payroll growth	3.00%
Investment rate of return	7.65% net of pension plan investment and administrative expenses, including inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the Period from 1997 to 2007.
Mortality	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the Period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN – COST SHARING EMPLOYER PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the collective net pension liability	0.68953%	0.73768%	0.74868%
Proportionate share of the collective net pension liability	\$ 42,905,786	\$ 50,633,826	\$ 64,784,346
Covered payroll	\$ 14,292,490	\$ 14,342,189	\$ 14,604,289
Proportionate share of the collective net pension liability as a percentage of covered payroll	300.20%	353.04%	443.60%
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%

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

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
 COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 4,246,980	\$ 5,126,655	\$ 5,886,486
Contribution in Relation to the Actuarially Determined Contribution	<u>(4,246,980)</u>	<u>(5,126,655)</u>	<u>(5,886,486)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,342,189	\$ 14,604,289	\$ 14,827,015
Contributions as a Percentage of Covered Payroll	29.6%	35.1%	39.7%

CITY OF REDLANDS, CALIFORNIA

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT BENEFIT PLAN
AS OF JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/2011	\$ -	\$ 81,728,065	\$ 81,728,065	0%	\$ 29,340,000	278.56%
6/30/2013	-	99,727,982	99,727,982	0%	29,819,315	334.44%
6/30/2015	-	112,055,821	112,055,821	0%	30,826,085	363.51%

CITY OF REDLANDS, CALIFORNIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 – BUDGETARY INFORMATION

Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for all governmental fund types. The budget is prepared on a GAAP (Generally Accepted Accounting Principles) basis. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.

The City Council may amend the budget only during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution.

The City's formal budgetary process begins at the operating program level. Departmental budgets are comprised of the various operating program budgets. Operating programs do not cross departmental lines. Individual fund budgets consist of the departmental budgets; departmental budgets may cross fund lines.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control (legal level) for most funds is established by the amount of expenditures budgeted at the departmental and fund levels. Accordingly, the General Fund expenditures are displayed in the supplementary schedules at the department level and the Special Revenue, Debt Service, Capital Projects, and Permanent Funds expenditures are displayed at the function level. Management control is exercised at the line item level in each operating program. Management can transfer budgeted amounts within operating programs, departments or funds, provided that such transfers do not increase the overall budget. Appropriations that increase the budget require City Council approval.

NOTE 2 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures for the year ended June 30, 2017, exceeded the appropriations of the following major funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
City attorney	\$ 573,353	\$ 577,979	\$ (4,626)
Fire	12,574,299	12,903,114	(328,815)
Transfers out	6,014,820	6,102,083	(87,263)
Special revenue:			
Local Transportation Authority			
Highway and streets	784,044	881,750	(97,706)
Public Facilities Development			
Highway and streets	2,554	11,423	(8,869)
Debt service	-	5,861	(5,861)

CITY OF REDLANDS, CALIFORNIA

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

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Air Quality Improvement
Assets:				
Cash and investments	\$ 75,349	\$ 131,586	\$ -	\$ 556,292
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	7,580	-	-
Taxes	15,115	-	-	-
Prepaid costs	3,467	-	-	-
Due from other governments	-	-	-	22,193
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Total Assets	\$ 93,931	\$ 139,166	\$ -	\$ 578,485
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 7,735	\$ -	\$ -	\$ 157,673
Accrued payroll	57,393	70	-	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	65,128	70	-	157,673
Deferred Inflow of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	3,467	-	-	-
Restricted	25,336	139,096	-	420,812
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	28,803	139,096	-	420,812
Total Liabilities, Deferred Inflows of Resources, and Fund Balances:	\$ 93,931	\$ 139,166	\$ -	\$ 578,485

Special Revenue Funds

Traffic Safety	Measure I	Open Space	Downtown Redlands Business Area	Parking Authority	General Capital Improvement
\$ 250	\$ 3,010,287	\$ 428,728	\$ 158,794	\$ 17,495	\$ -
-	-	-	-	-	-
-	-	-	4,032	1,040	-
-	189,901	-	-	-	-
-	-	-	-	-	-
20,911	-	-	-	-	205,305
-	45,814	-	-	-	-
-	-	114,407	-	-	-
<u>\$ 21,161</u>	<u>\$ 3,246,002</u>	<u>\$ 543,135</u>	<u>\$ 162,826</u>	<u>\$ 18,535</u>	<u>\$ 205,305</u>
\$ 5,003	\$ 207,800	\$ -	\$ 22,198	\$ 2,033	\$ 2,018
-	3,337	-	1,670	-	933
-	-	-	-	-	33,633
-	-	-	-	60,632	-
-	-	-	-	-	305,459
<u>5,003</u>	<u>211,137</u>	<u>-</u>	<u>23,868</u>	<u>62,665</u>	<u>342,043</u>
-	-	-	-	-	81,807
-	-	-	-	-	81,807
-	-	114,407	-	-	-
16,158	3,034,865	-	-	-	-
-	-	428,728	138,958	-	-
-	-	-	-	-	-
-	-	-	-	(44,130)	(218,545)
<u>16,158</u>	<u>3,034,865</u>	<u>543,135</u>	<u>138,958</u>	<u>(44,130)</u>	<u>(218,545)</u>
<u>\$ 21,161</u>	<u>\$ 3,246,002</u>	<u>\$ 543,135</u>	<u>\$ 162,826</u>	<u>\$ 18,535</u>	<u>\$ 205,305</u>

CITY OF REDLANDS, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	Special Revenue Funds			
	Community Development Block Grant	Asset Forfeiture	Police Grants	Supplemental Law Enforcement
Assets:	\$ -	\$ 1,320,924	\$ 180,883	\$ 306,445
Cash and investments				
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Prepaid costs	203,576	-	24,480	-
Due from other governments				
Due from other funds	-	-	-	-
Advances to other funds				
	<u>\$ 203,576</u>	<u>\$ 1,320,924</u>	<u>\$ 205,363</u>	<u>\$ 306,445</u>
Total Assets				
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:	\$ 31,577	\$ 17,386	\$ 4,535	\$ -
Accounts payable	157	-	11,172	41
Accrued payroll	-	-	88,103	266,925
Unearned revenue	-	-	-	-
Deposits payable	177,452	-	-	-
Due to other funds				
	<u>209,186</u>	<u>17,386</u>	<u>103,810</u>	<u>266,966</u>
Total Liabilities				
Deferred Inflow of Resources:				
Unavailable revenue	74,492	-	8,181	-
	<u>74,492</u>	<u>-</u>	<u>8,181</u>	<u>-</u>
Total Deferred Inflows of Resources				
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	1,303,538	93,372	39,479
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(80,102)	-	-	-
	<u>(80,102)</u>	<u>1,303,538</u>	<u>93,372</u>	<u>39,479</u>
Total Fund Balance				
Total Liabilities, Deferred Inflows of Resources, and Fund Balances:	<u>\$ 203,576</u>	<u>\$ 1,320,924</u>	<u>\$ 205,363</u>	<u>\$ 306,445</u>

Special Revenue Funds

Park and Open Space	Arterial Street Construction	Traffic Signals	Freeway Interchanges	Street Lighting District #1	CFD 2004-1 Assessment
\$ 760,792	\$ 3,015,544	\$ 1,210,815	\$ 2,855,127	\$ -	\$ 422,894
-	-	-	-	-	-
-	-	-	-	424	810
-	-	-	-	-	-
-	-	-	-	-	-
114,407	-	-	-	-	-
<u>\$ 875,199</u>	<u>\$ 3,015,544</u>	<u>\$ 1,210,815</u>	<u>\$ 2,855,127</u>	<u>\$ 424</u>	<u>\$ 423,704</u>
\$ 194,313	\$ -	\$ -	\$ -	\$ -	\$ 18,789
(183)	(48)	-	(583)	111	778
-	-	-	-	-	-
-	-	203,217	-	-	161,933
-	-	-	-	108	-
<u>194,130</u>	<u>(48)</u>	<u>203,217</u>	<u>(583)</u>	<u>219</u>	<u>181,500</u>
-	-	-	-	-	-
-	-	-	-	-	-
114,407	-	-	-	-	-
-	-	-	-	205	242,204
566,662	3,015,592	1,007,598	2,855,710	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>681,069</u>	<u>3,015,592</u>	<u>1,007,598</u>	<u>2,855,710</u>	<u>205</u>	<u>242,204</u>
<u>\$ 875,199</u>	<u>\$ 3,015,544</u>	<u>\$ 1,210,815</u>	<u>\$ 2,855,127</u>	<u>\$ 424</u>	<u>\$ 423,704</u>

CITY OF REDLANDS, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	Special Revenue Funds		Capital Projects Funds	
	Landscape Maintenance District	Disaster Recovery	Storm Drain	Safety Hall Replacement
Assets:				
Cash and investments	\$ 1,281	\$ -	\$ 1,832,744	\$ 3,419,978
Cash and investments with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	25	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	102,367	-
Total Assets	\$ 1,306	\$ -	\$ 1,935,111	\$ 3,419,978
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,113	\$ -	\$ -	\$ -
Accrued payroll	159	-	593	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	59,110	-	-
Total Liabilities	1,272	59,110	593	-
Deferred Inflow of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	102,367	-
Restricted	34	-	1,832,151	-
Committed	-	-	-	-
Assigned	-	-	-	3,419,978
Unassigned	-	(59,110)	-	-
Total Fund Balance	34	(59,110)	1,934,518	3,419,978
Total Liabilities, Deferred Inflows of Resources, and Fund Balances:	\$ 1,306	\$ -	\$ 1,935,111	\$ 3,419,978

Debt Service Funds		Permanent Funds	Total Governmental Funds
General Debt Service	Redlands Public Improvement Corporation	Cemetery Endowment	
\$ -	\$ -	\$ 1,536,466	\$ 21,242,674
2,414,825	-	-	2,414,825
-	-	500	13,152
1,628	-	-	207,903
-	-	-	3,467
-	-	-	476,465
-	-	-	45,814
-	-	667,905	999,086
<u>\$ 2,416,453</u>	<u>\$ -</u>	<u>\$ 2,204,871</u>	<u>\$ 25,403,386</u>
\$ -	\$ -	\$ -	\$ 672,173
-	-	-	75,600
-	-	-	388,661
-	-	-	425,782
-	-	-	542,129
-	-	-	2,104,345
-	-	-	164,480
-	-	-	164,480
-	-	2,204,871	2,539,519
2,416,453	-	-	9,563,703
-	-	-	8,013,248
-	-	-	3,419,978
-	-	-	(401,887)
<u>2,416,453</u>	<u>-</u>	<u>2,204,871</u>	<u>23,134,561</u>
<u>\$ 2,416,453</u>	<u>\$ -</u>	<u>\$ 2,204,871</u>	<u>\$ 25,403,386</u>

CITY OF REDLANDS, CALIFORNIA

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

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Air Quality Improvement
Revenues:				
Taxes	\$ 1,101,744	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	2,900	1,307,233	87,306
Charges for services	-	116,508	-	-
Use of money and property	-	-	-	1,611
Miscellaneous	98	-	-	75,156
Total Revenues	1,101,842	119,408	1,307,233	164,073
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	5,062,849	106,873	-	-
Culture and recreation	-	-	-	525
Highway and streets	-	-	-	-
Capital outlay	-	-	-	214,632
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,062,849	106,873	-	215,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,961,007)	12,535	1,307,233	(51,084)
Other Financing Sources (Uses):				
Transfers in	3,974,487	-	2,687	-
Transfers out	-	-	(1,309,920)	-
Proceeds from sale of property	-	-	-	-
Total Other Financings Sources (Uses)	3,974,487	-	(1,307,233)	-
Net changes in fund balances	13,480	12,535	-	(51,084)
Fund balances, beginning of year, as restated	15,323	126,561	-	471,896
Fund balances, end of year	\$ 28,803	\$ 139,096	\$ -	\$ 420,812

Special Revenue Funds

Traffic Safety	Measure I	Open Space	Downtown Redlands Business Area	Parking Authority	General Capital Improvement
\$ -	\$ 1,166,199	\$ -	\$ -	\$ -	\$ -
195,494	-	48,844	-	-	-
-	-	-	7,723	-	453,123
-	-	-	301,398	-	-
-	34,676	1,394	396	5,508	-
-	-	-	18,548	-	(586)
<u>195,494</u>	<u>1,200,875</u>	<u>50,238</u>	<u>328,065</u>	<u>5,508</u>	<u>452,537</u>
-	-	-	258,790	18,218	-
-	-	-	-	-	-
-	-	2,227	-	-	-
-	273,345	-	-	-	209,411
-	1,362,241	346,079	-	-	59,903
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,635,586</u>	<u>348,306</u>	<u>258,790</u>	<u>18,218</u>	<u>269,314</u>
<u>195,494</u>	<u>(434,711)</u>	<u>(298,068)</u>	<u>69,275</u>	<u>(12,710)</u>	<u>183,223</u>
-	-	-	-	-	-
(197,160)	(3,535,186)	-	-	-	-
-	-	-	-	-	-
<u>(197,160)</u>	<u>(3,535,186)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,666)	(3,969,897)	(298,068)	69,275	(12,710)	183,223
17,824	7,004,762	841,203	69,683	(31,420)	(401,768)
<u>\$ 16,158</u>	<u>\$ 3,034,865</u>	<u>\$ 543,135</u>	<u>\$ 138,958</u>	<u>\$ (44,130)</u>	<u>\$ (218,545)</u>

CITY OF REDLANDS, CALIFORNIA

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

	Special Revenue Funds			
	Community Development Block Grant	Asset Forfeiture	Police Grants	Supplemental Law Enforcement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	372,475	-	216,073	146,548
Charges for services	-	-	-	-
Use of money and property	-	3,615	-	968
Miscellaneous	-	558,612	-	-
Total Revenues	372,475	562,227	216,073	147,516
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	176,285	128,808	90,578
Culture and recreation	18,368	-	-	-
Highway and streets	173,273	-	-	-
Capital outlay	205,742	131,386	16,163	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	397,383	307,671	144,971	90,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,908)	254,556	71,102	56,938
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of property	-	-	-	-
Total Other Financings Sources (Uses)	-	-	-	-
Net changes in fund balances	(24,908)	254,556	71,102	56,938
Fund balances, beginning of year, as restated	(55,194)	1,048,982	22,270	(17,459)
Fund balances, end of year	<u>\$ (80,102)</u>	<u>\$ 1,303,538</u>	<u>\$ 93,372</u>	<u>\$ 39,479</u>

Special Revenue Funds

Park and Open Space	Arterial Street Construction	Traffic Signals	Freeway Interchanges	Street Lighting District #1	CFD 2004-1 Assessment
\$ -	\$ -	\$ -	\$ -	\$ 25,428	\$ 170,051
146,532	692,141	76,593	457,554	-	-
-	-	-	-	-	-
-	-	-	4,990	-	-
2,454	29,472	12,753	29,056	-	4,362
465,912	-	-	-	-	-
<u>614,898</u>	<u>721,613</u>	<u>89,346</u>	<u>491,600</u>	<u>25,428</u>	<u>174,413</u>
-	-	-	-	-	174,716
-	-	-	-	-	-
77,129	-	-	-	-	-
-	16,336	1,532	51,160	25,885	-
486,480	-	-	-	-	-
53,830	-	-	-	-	-
48,569	-	-	-	-	-
<u>666,008</u>	<u>16,336</u>	<u>1,532</u>	<u>51,160</u>	<u>25,885</u>	<u>174,716</u>
<u>(51,110)</u>	<u>705,277</u>	<u>87,814</u>	<u>440,440</u>	<u>(457)</u>	<u>(303)</u>
76,235	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>76,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
25,125	705,277	87,814	440,440	(457)	(303)
655,944	2,310,315	919,784	2,415,270	662	242,507
<u>\$ 681,069</u>	<u>\$ 3,015,592</u>	<u>\$ 1,007,598</u>	<u>\$ 2,855,710</u>	<u>\$ 205</u>	<u>\$ 242,204</u>

CITY OF REDLANDS, CALIFORNIA

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

	Special Revenue Funds		Capital Projects Funds	
	Landscape Maintenance District	Disaster Recovery	Storm Drain	Safety Hall Replacement
Revenues:				
Taxes	\$ 29,308	\$ -	\$ -	\$ -
Licenses and permits	-	-	88,477	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	6,466	9,183
Miscellaneous	-	-	-	-
Total Revenues	29,308	-	94,943	9,183
Expenditures:				
Current:				
General government	40,340	-	-	11,771
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	-	-	50,490	-
Capital outlay	-	-	-	1,004,417
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	40,340	-	50,490	1,016,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,032)	-	44,453	(1,007,005)
Other Financing Sources (Uses):				
Transfers in	11,066	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of property	-	-	-	4,426,983
Total Other Financings Sources (Uses)	11,066	-	-	4,426,983
Net changes in fund balances	34	-	44,453	3,419,978
Fund balances, beginning of year, as restated	-	(59,110)	1,890,065	-
Fund balances, end of year	\$ 34	\$ (59,110)	\$ 1,934,518	\$ 3,419,978

Debt Service Funds		Permanent Funds		Total Governmental Funds
General Debt Service	Redlands Public Improvement Corporation	Cemetery Endowment		
\$ (23,750)	\$ -	\$ -	\$ -	\$ 2,468,980
-	-	-	-	1,705,635
-	-	-	-	2,593,381
-	-	-	-	422,896
2,021	-	-	-	143,935
-	-	52,237	-	1,169,977
<u>(21,729)</u>	<u>-</u>	<u>52,237</u>	<u>-</u>	<u>8,504,804</u>
-	-	-	-	503,835
-	-	-	-	5,565,393
-	-	-	-	98,249
-	-	-	-	801,432
-	-	-	-	3,827,043
2,060,000	775,000	-	-	2,888,830
837,811	52,684	-	-	939,064
<u>2,897,811</u>	<u>827,684</u>	<u>-</u>	<u>-</u>	<u>14,623,846</u>
<u>(2,919,540)</u>	<u>(827,684)</u>	<u>52,237</u>	<u>-</u>	<u>(6,119,042)</u>
3,070,962	827,684	-	-	7,963,121
(18)	-	-	-	(5,042,284)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,426,983</u>
<u>3,070,944</u>	<u>827,684</u>	<u>-</u>	<u>-</u>	<u>7,347,820</u>
151,404	-	52,237	-	1,228,778
2,265,049	-	2,152,634	-	21,905,783
<u>\$ 2,416,453</u>	<u>\$ -</u>	<u>\$ 2,204,871</u>	<u>\$ -</u>	<u>\$ 23,134,561</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 15,323	\$ 15,323	\$ 15,323	\$ -
Resources:				
Taxes	1,100,000	1,100,000	1,101,744	1,744
Miscellaneous	12,500	30	98	68
Transfers in	3,637,726	3,898,618	3,974,487	75,869
Amounts Available for Appropriations	<u>4,765,549</u>	<u>5,013,971</u>	<u>5,091,652</u>	<u>77,681</u>
Charges to Appropriations (Outflow):				
Public safety	4,750,226	5,113,024	5,062,849	50,175
Total Charges to Appropriations	<u>4,750,226</u>	<u>5,113,024</u>	<u>5,062,849</u>	<u>50,175</u>
Budgetary Fund Balance, June 30	<u>\$ 15,323</u>	<u>\$ (99,053)</u>	<u>\$ 28,803</u>	<u>\$ 127,856</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
HOUSEHOLD HAZARDOUS WASTE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 126,561	\$ 126,561	\$ 126,561	\$ -
Resources:				
Intergovernmental	12,000	3,866	2,900	(966)
Charges for services	113,800	95,506	116,508	21,002
Amounts Available for Appropriations	<u>252,361</u>	<u>225,933</u>	<u>245,969</u>	<u>20,036</u>
Charges to Appropriations (Outflow):				
Public safety	125,848	127,373	106,873	20,500
Total Charges to Appropriations	<u>125,848</u>	<u>127,373</u>	<u>106,873</u>	<u>20,500</u>
Budgetary Fund Balance, June 30	<u>\$ 126,513</u>	<u>\$ 98,560</u>	<u>\$ 139,096</u>	<u>\$ 40,536</u>

CITY OF REDLANDS, CALIFORNIA

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ -	\$ -	\$ -	\$ -
Resources:				
Intergovernmental	1,443,216	1,381,912	1,307,233	(74,679)
Transfers in	-	-	2,687	2,687
Amounts Available for Appropriations	<u>1,443,216</u>	<u>1,381,912</u>	<u>1,309,920</u>	<u>(71,992)</u>
Charges to Appropriations (Outflow):				
Transfers out	<u>1,443,216</u>	<u>1,381,912</u>	<u>1,309,920</u>	<u>71,992</u>
Total Charges to Appropriations	<u>1,443,216</u>	<u>1,381,912</u>	<u>1,309,920</u>	<u>71,992</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF REDLANDS, CALIFORNIA

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 471,896	\$ 471,896	\$ 471,896	\$ -
Resources:				
Intergovernmental	81,000	81,000	87,306	6,306
Miscellaneous	-	35,604	75,156	39,552
Use of money and property	5,000	-	1,611	1,611
Amounts Available for Appropriations	<u>557,896</u>	<u>588,500</u>	<u>635,969</u>	<u>47,469</u>
Charges to Appropriations (Outflow):				
Capital outlay	-	132,147	215,157	(83,010)
Total Charges to Appropriations	<u>-</u>	<u>132,147</u>	<u>215,157</u>	<u>(83,010)</u>
Budgetary Fund Balance, June 30	<u>\$ 557,896</u>	<u>\$ 456,353</u>	<u>\$ 420,812</u>	<u>\$ (35,541)</u>

CITY OF REDLANDS, CALIFORNIA

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary Fund Balance, July1	\$ 17,824	\$ 17,824	\$ 17,824	\$ -
Resources:				
Licenses and permits	193,700	159,147	195,494	36,347
Amounts Available for Appropriations	<u>211,524</u>	<u>176,971</u>	<u>213,318</u>	<u>36,347</u>
Charges to Appropriations (Outflow):				
Transfers out	193,700	176,970	197,160	(20,190)
Total Charges to Appropriations	<u>193,700</u>	<u>176,970</u>	<u>197,160</u>	<u>(20,190)</u>
Budgetary Fund Balance, June 30	<u>\$ 17,824</u>	<u>\$ 1</u>	<u>\$ 16,158</u>	<u>\$ 16,157</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
MEASURE I (2010)
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 7,004,762	\$ 7,004,762	\$ 7,004,762	\$ -
Resources:				
Taxes	1,115,656	1,115,656	1,166,199	50,543
Use of money and property	56,000	20,000	34,676	14,676
Amounts Available for Appropriations	<u>8,176,418</u>	<u>8,140,418</u>	<u>8,205,637</u>	<u>65,219</u>
Charges to Appropriations (Outflow):				
Highway and streets	227,057	222,240	273,345	(51,105)
Capital outlay	5,000,000	2,550,000	1,362,241	1,187,759
Transfers out			3,535,186	(3,535,186)
Total Charges to Appropriations	<u>5,227,057</u>	<u>2,772,240</u>	<u>5,170,772</u>	<u>(2,398,532)</u>
Budgetary Fund Balance, June 30	<u>\$ 2,949,361</u>	<u>\$ 5,368,178</u>	<u>\$ 3,034,865</u>	<u>\$ (2,333,313)</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
OPEN SPACE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 841,203	\$ 841,203	\$ 841,203	\$ -
Resources:				
Licenses and permits	38,500	37,979	48,844	10,865
Use of money and property	6,300	-	1,394	1,394
Amounts Available for Appropriations	886,003	879,182	891,441	12,259
Charges to Appropriations (Outflow):				
Culture and recreation	-	1,249	2,227	(978)
Capital outlay	-	352,947	346,079	6,868
Total Charges to Appropriations	-	354,196	348,306	5,890
Budgetary Fund Balance, June 30	\$ 886,003	\$ 524,986	\$ 543,135	\$ 18,149

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
DOWNTOWN REDLANDS BUSINESS AREA
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 69,683	\$ 69,683	\$ 69,683	\$ -
Resources:				
Intergovernmental	-	7,723	7,723	-
Charges for services	291,700	270,000	301,398	31,398
Use of money and property	2,000	2,000	396	(1,604)
Miscellaneous	25,000	20,676	18,548	(2,128)
Amounts Available for Appropriations	388,383	370,082	397,748	27,666
Charges to Appropriations (Outflow):				
General government	318,309	306,378	258,790	47,588
Total Charges to Appropriations	318,309	306,378	258,790	47,588
Budgetary Fund Balance, June 30	\$ 70,074	\$ 63,704	\$ 138,958	\$ 75,254

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
PARKING AUTHORITY
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ (31,420)	\$ (31,420)	\$ (31,420)	\$ -
Resources:				
Use of money and property	6,500	8,000	5,508	(2,492)
Miscellaneous	13,889	-	-	
Amounts Available for Appropriations	<u>(11,031)</u>	<u>(23,420)</u>	<u>(25,912)</u>	<u>(2,492)</u>
Charges to Appropriations (Outflow):				
General government	20,389	20,389	18,218	2,171
Total Charges to Appropriations	<u>20,389</u>	<u>20,389</u>	<u>18,218</u>	<u>2,171</u>
Budgetary Fund Balance, June 30	<u>\$ (31,420)</u>	<u>\$ (43,809)</u>	<u>\$ (44,130)</u>	<u>\$ (321)</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ (401,768)	\$ (401,768)	\$ (401,768)	\$ -
Resources:				
Intergovernmental	1,850,764	2,193,442	452,537	(1,740,905)
Miscellaneous	64,128	-	-	-
Amounts Available for Appropriations	<u>1,513,124</u>	<u>1,791,674</u>	<u>50,769</u>	<u>(1,740,905)</u>
Charges to Appropriations (Outflow):				
Highway and streets	98,442	203,891	209,411	(5,520)
Capital outlay	1,816,450	125,000	59,903	65,097
Total Charges to Appropriations	<u>1,914,892</u>	<u>328,891</u>	<u>269,314</u>	<u>59,577</u>
Budgetary Fund Balance, June 30	<u>\$ (401,768)</u>	<u>\$ 1,462,783</u>	<u>\$ (218,545)</u>	<u>\$ (1,681,328)</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ (55,194)	\$ (55,194)	\$ (55,194)	\$ -
Resources:				
Intergovernmental	322,287	621,173	372,475	(248,698)
Amounts Available for Appropriations	<u>267,093</u>	<u>565,979</u>	<u>317,281</u>	<u>(248,698)</u>
Charges to Appropriations (Outflow):				
Culture and recreation	37,506	16,660	18,368	(1,708)
Highway and streets	74,643	92,169	173,273	(81,104)
Capital outlay	210,138	506,141	205,742	300,399
Total Charges to Appropriations	<u>322,287</u>	<u>614,970</u>	<u>397,383</u>	<u>217,587</u>
Budgetary Fund Balance, June 30	<u>\$ (55,194)</u>	<u>\$ (48,991)</u>	<u>\$ (80,102)</u>	<u>\$ (31,111)</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 1,048,982	\$ 1,048,982	\$ 1,048,982	\$ -
Resources:				
Use of money	8,384	461	3,615	3,154
Miscellaneous	-	454,646	558,612	103,966
Amounts Available for Appropriations	<u>1,057,366</u>	<u>1,504,089</u>	<u>1,611,209</u>	<u>107,120</u>
Charges to Appropriations (Outflow):				
Public safety	288,977	272,376	176,285	96,091
Capital outlay	161,806	256,942	131,386	125,556
Total Charges to Appropriations	<u>450,783</u>	<u>529,318</u>	<u>307,671</u>	<u>221,647</u>
Budgetary Fund Balance, June 30	<u>\$ 606,583</u>	<u>\$ 974,771</u>	<u>\$ 1,303,538</u>	<u>\$ 328,767</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 22,270	\$ 22,270	\$ 22,270	\$ -
Resources:				
Intergovernmental	-	279,625	216,073	(63,552)
Amounts Available for Appropriations	<u>22,270</u>	<u>301,895</u>	<u>238,343</u>	<u>(63,552)</u>
Charges to Appropriations (Outflow):				
Public safety	-	339,103	128,808	210,295
Capital outlay	-	-	16,163	(16,163)
Total Charges to Appropriations	<u>-</u>	<u>339,103</u>	<u>144,971</u>	<u>194,132</u>
Budgetary Fund Balance, June 30	<u>\$ 22,270</u>	<u>\$ (37,208)</u>	<u>\$ 93,372</u>	<u>\$ 130,580</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ (17,459)	\$ (17,459)	\$ (17,459)	\$ -
Resources:				
Intergovernmental	113,000	130,529	146,548	16,019
Use of money and property	968	478	968	490
Amounts Available for Appropriations	<u>96,509</u>	<u>113,548</u>	<u>130,057</u>	<u>16,509</u>
Charges to Appropriations (Outflow):				
Public safety	113,968	113,957	90,578	23,379
Total Charges to Appropriations	<u>113,968</u>	<u>113,957</u>	<u>90,578</u>	<u>23,379</u>
Budgetary Fund Balance, June 30	<u>\$ (17,459)</u>	<u>\$ (409)</u>	<u>\$ 39,479</u>	<u>\$ 39,888</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
PARK AND OPEN SPACE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 655,944	\$ 655,944	\$ 655,944	\$ -
Resources:				
Licenses and permits	522,498	113,938	146,532	32,594
Use of money and property	7,780	7,780	2,454	(5,326)
Miscellaneous	50,000	-	465,912	465,912
Transfer in			76,235	76,235
Amounts Available for Appropriations	<u>1,236,222</u>	<u>777,662</u>	<u>1,347,077</u>	<u>569,415</u>
Charges to Appropriations (Outflow):				
Culture and recreation	15,862	123,208	77,129	46,079
Capital outlay	-	861,099	486,480	374,619
Debt service:				
Principal retirement	53,830	53,830	53,830	-
Interest and fiscal charges	48,569	48,569	48,569	-
Total Charges to Appropriations	<u>118,261</u>	<u>1,086,706</u>	<u>666,008</u>	<u>420,698</u>
Budgetary Fund Balance, June 30	<u>\$ 1,117,961</u>	<u>\$ (309,044)</u>	<u>\$ 681,069</u>	<u>\$ 990,113</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
 ARTERIAL STREET CONSTRUCTION
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 2,310,315	\$ 2,310,315	\$ 2,310,315	\$ -
Resources:				
Licenses and permits	2,632,000	447,059	692,141	245,082
Use of money and property	13,500	13,500	29,472	15,972
Amounts Available for Appropriations	<u>4,955,815</u>	<u>2,770,874</u>	<u>3,031,928</u>	<u>261,054</u>
Charges to Appropriations (Outflow):				
Highways and streets	<u>7,394</u>	<u>2,554</u>	<u>16,336</u>	<u>(13,782)</u>
Total Charges to Appropriations	<u>7,394</u>	<u>2,554</u>	<u>16,336</u>	<u>(13,782)</u>
Budgetary Fund Balance, June 30	<u><u>\$ 4,948,421</u></u>	<u><u>\$ 2,768,320</u></u>	<u><u>\$ 3,015,592</u></u>	<u><u>\$ 247,272</u></u>

CITY OF REDLANDS, CALIFORNIA

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 919,784	\$ 919,784	\$ 919,784	\$ -
Resources:				
Licenses and permits	680,000	45,910	76,593	30,683
Use of money and property	7,100	5,394	12,753	7,359
Amounts Available for Appropriations	<u>1,606,884</u>	<u>971,088</u>	<u>1,009,130</u>	<u>38,042</u>
Charges to Appropriations (Outflow):				
Highways and streets	2,000	160,000	1,532	158,468
Total Charges to Appropriations	<u>2,000</u>	<u>160,000</u>	<u>1,532</u>	<u>158,468</u>
Budgetary Fund Balance, June 30	<u>\$ 1,604,884</u>	<u>\$ 811,088</u>	<u>\$ 1,007,598</u>	<u>\$ 196,510</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
 FREEWAY INTERCHANGES
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 2,415,270	\$ 2,415,270	\$ 2,415,270	\$ -
Resources:				
Charges for services	-	-	4,990	4,990
Licenses and permits	3,400,000	295,378	457,554	162,176
Use of money and property	18,000	18,000	29,056	11,056
Amounts Available for Appropriations	<u>5,833,270</u>	<u>2,728,648</u>	<u>2,906,870</u>	<u>178,222</u>
Charges to Appropriations (Outflow):				
Highways and streets	1,029,712	36,021	51,160	(15,139)
Total Charges to Appropriations	<u>1,029,712</u>	<u>36,021</u>	<u>51,160</u>	<u>(15,139)</u>
Budgetary Fund Balance, June 30	<u>\$ 4,803,558</u>	<u>\$ 2,692,627</u>	<u>\$ 2,855,710</u>	<u>\$ 163,083</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT #1
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 662	\$ 662	\$ 662	\$ -
Resources:				
Taxes	25,500	25,500	25,428	(72)
Amounts Available for Appropriations	<u>26,162</u>	<u>26,162</u>	<u>26,090</u>	<u>(72)</u>
Charges to Appropriations (Outflow):				
Highway and streets	25,595	25,323	25,885	(562)
Total Charges to Appropriations	<u>25,595</u>	<u>25,323</u>	<u>25,885</u>	<u>(562)</u>
Budgetary Fund Balance, June 30	<u>\$ 567</u>	<u>\$ 839</u>	<u>\$ 205</u>	<u>\$ (634)</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
CFD 2004-1 ASSESSMENT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 139,608	\$ 242,507	\$ 242,507	\$ -
Resources:				
Taxes	125,000	150,000	170,051	20,051
Use of money and property	2,500	2,500	4,362	1,862
Amounts Available for Appropriations	<u>267,108</u>	<u>395,007</u>	<u>416,920</u>	<u>21,913</u>
Charges to Appropriations (Outflow):				
General government	260,421	233,567	174,716	58,851
Total Charges to Appropriations	<u>260,421</u>	<u>233,567</u>	<u>174,716</u>	<u>58,851</u>
Budgetary Fund Balance, June 30	<u>\$ 6,687</u>	<u>\$ 161,440</u>	<u>\$ 242,204</u>	<u>\$ 80,764</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary Fund Balance, July1	\$ -	\$ -	\$ -	\$ -
Resources:				
Taxes	30,000	30,000	29,308	(692)
Transfers in	-	1,951	11,066	9,115
Amounts Available for Appropriations	<u>30,000</u>	<u>31,951</u>	<u>40,374</u>	<u>8,423</u>
Charges to Appropriations (Outflow):				
General government	<u>30,000</u>	<u>31,951</u>	<u>40,340</u>	<u>(8,389)</u>
Total Charges to Appropriations	<u>30,000</u>	<u>31,951</u>	<u>40,340</u>	<u>(8,389)</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 34</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ (59,110)	\$ (59,110)	\$ (59,110)	\$ -
Resources:				
Intergovernmental	-	-	-	-
Amounts Available for Appropriations	<u>(59,110)</u>	<u>(59,110)</u>	<u>(59,110)</u>	<u>-</u>
Charges to Appropriations (Outflow):				
General government	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary Fund Balance, June 30	<u><u>\$ (59,110)</u></u>	<u><u>\$ (59,110)</u></u>	<u><u>\$ (59,110)</u></u>	<u><u>\$ -</u></u>

CITY OF REDLANDS, CALIFORNIA

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 1,890,065	\$ 1,890,065	\$ 1,890,065	\$ -
Resources:				
Licenses and permits	182,000	57,189	88,477	31,288
Use of money and property	16,000	16,000	6,466	(9,534)
Amounts Available for Appropriations	<u>2,088,065</u>	<u>1,963,254</u>	<u>1,985,008</u>	<u>21,754</u>
Charges to Appropriations (Outflow):				
Highway and streets	51,039	43,608	50,490	(6,882)
Total Charges to Appropriations	<u>51,039</u>	<u>43,608</u>	<u>50,490</u>	<u>(6,882)</u>
Budgetary Fund Balance, June 30	<u>\$ 2,037,026</u>	<u>\$ 1,919,646</u>	<u>\$ 1,934,518</u>	<u>\$ 14,872</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
SAFETY HALL REPLACEMENT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ -	\$ -	\$ -	\$ -
Resources:				
Use of money and property	-	1,190	9,183	7,993
Proceeds from land sale		4,426,983	4,426,983	-
Amounts Available for Appropriations	-	4,428,173	4,436,166	7,993
Charges to Appropriations (Outflow):				
General government	-	-	11,771	11,771
Capital outlay	-	1,000,000	1,004,417	4,417
Total Charges to Appropriations	-	1,000,000	1,016,188	16,188
Budgetary Fund Balance, June 30	\$ -	\$ 3,428,173	\$ 3,419,978	\$ 24,181

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
GENERAL DEBT SERVICE
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,265,049	\$ 2,265,049	\$ 2,265,049	\$ -
Resources:				
Taxes		2,759	(23,750)	(26,509)
Use of money and property	-	469	2,021	1,552
Transfers in	2,899,095	2,898,874	3,070,962	172,088
Amounts Available for Appropriations	<u>5,164,144</u>	<u>5,167,151</u>	<u>5,314,282</u>	<u>147,131</u>
Charges to Appropriations (Outflow):				
Debt service:				
Principal retirement	2,060,000	2,060,000	2,060,000	-
Interest and fiscal charges	839,095	838,974	837,811	1,163
Transfers out	-	-	18	(18)
Total Charges to Appropriations	<u>2,899,095</u>	<u>2,898,974</u>	<u>2,897,829</u>	<u>1,145</u>
Budgetary Fund Balance, June 30	<u>\$ 2,265,049</u>	<u>\$ 2,268,177</u>	<u>\$ 2,416,453</u>	<u>\$ 148,276</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
 REDLANDS PUBLIC IMPROVEMENT CORPORATION
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ -	\$ -	\$ -	\$ -
Resources:				
Transfers in	827,684	827,684	827,684	-
Amounts Available for Appropriations	<u>827,684</u>	<u>827,684</u>	<u>827,684</u>	<u>-</u>
Charges to Appropriations (Outflow):				
Debt service:				
Principal retirement	775,000	775,000	775,000	-
Interest and fiscal charges	52,684	52,684	52,684	-
Total Charges to Appropriations	<u>827,684</u>	<u>827,684</u>	<u>827,684</u>	<u>-</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF REDLANDS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
CEMETERY ENDOWMENT
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July1	\$ 2,152,634	\$ 2,152,634	\$ 2,152,634	\$ -
Resources:				
Miscellaneous	72,000	72,292	52,237	(20,055)
Amounts Available for Appropriations	<u>2,224,634</u>	<u>2,224,926</u>	<u>2,204,871</u>	<u>(20,055)</u>
Budgetary Fund Balance, June 30	<u>\$ 2,224,634</u>	<u>\$ 2,224,926</u>	<u>\$ 2,204,871</u>	<u>\$ (20,055)</u>

CITY OF REDLANDS, CALIFORNIA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Assets:					
Current:					
Cash and investments	\$ -	\$ 2,898,404	\$ 1,012,705	\$ -	\$ 3,911,109
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	36,699	-	29,193	1,871	67,763
Taxes	-	-	-	234	234
Prepaid costs	-	-	-	-	-
Due from other governments	-	-	-	662,850	662,850
Total Current Assets	36,699	2,898,404	1,041,898	664,955	4,641,956
Noncurrent:					
Capital assets - net of accumulated depreciation	13,917,863	-	737,816	4,524,753	19,180,432
Total Noncurrent Assets	13,917,863	-	737,816	4,524,753	19,180,432
Total Assets	13,954,562	2,898,404	1,779,714	5,189,708	23,822,388
Deferred Outflows of Resources					
Deferred pension related items	6,918	11,011	88,231	30,075	136,235
Total Assets and Deferred Outflows of Resources	\$ 13,961,480	\$ 2,909,415	\$ 1,867,945	\$ 5,219,783	\$ 23,958,623
Liabilities, Deferred Inflows of Resources, and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 17,079	\$ 2,177	\$ 48,898	\$ 269,637	\$ 337,791
Accrued payroll	1,018	557	5,832	-	7,407
Unearned revenue	-	-	-	1,300	1,300
Deposits payable	-	-	908,616	1,431	910,047
Due to other funds	216,044	-	-	361,962	578,006
Accrued compensated absences	83	75	30,146	136	30,440
Total Current Liabilities	234,224	2,809	993,492	634,466	1,864,991
Noncurrent:					
Advances from other funds	-	-	1,847,025	920,930	2,767,955
OPEB obligation	-	-	312,880	39,167	352,047
Net pension liability	27,314	43,480	348,397	118,757	537,948
Total Noncurrent Liabilities	27,314	43,480	2,508,302	1,078,854	3,657,950
Total Liabilities	261,538	46,289	3,501,794	1,713,320	5,522,941
Deferred Inflow of Resources:					
Deferred pension related items	3,255	2,788	17,011	10,252	33,306
Net Position:					
Net investment in capital assets	13,917,863	-	737,816	4,524,753	19,180,432
Unrestricted	(221,176)	2,860,338	(2,388,676)	(1,028,542)	(778,056)
Total Net Position	13,696,687	2,860,338	(1,650,860)	3,496,211	18,402,376
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,961,480	\$ 2,909,415	\$ 1,867,945	\$ 5,219,783	\$ 23,958,623

CITY OF REDLANDS, CALIFORNIA

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

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Operating Revenues					
Sales and services charges	\$ 575,846	\$ 514,015	\$ 700,334	\$ 83,905	\$ 1,874,100
Miscellaneous	181,880	-	172,822	208,467	563,169
Net Cash Provided (Used) by Total Operating Revenues	757,726	514,015	873,156	292,372	2,437,269
Operating Expenses					
Personnel services	55,963	45,036	370,402	93,395	564,796
Contractual services	713,890	30,724	298,500	170,474	1,213,588
Supplies	7,799	1	46,476	9,055	63,331
Depreciation expense	7,696	-	13,651	154,829	176,176
Total Operating Expenses	785,348	75,761	729,029	427,753	2,017,891
Operating Income (Loss)	(27,622)	438,254	144,127	(135,381)	419,378
Nonoperating Revenues (Expenses):					
Interest revenue	(189)	9,489	10,362	1,853	21,515
Interest expense	-	-	(13,711)	(7,159)	(20,870)
Miscellaneous income	-	-	21,821	618	22,439
Property taxes	-	-	-	40,199	40,199
Grants	-	-	-	816,777	816,777
Total Nonoperating Revenue (Expenses)	(189)	9,489	18,472	852,288	880,060
Income (Loss) Before Transfers and Contributions	(27,811)	447,743	162,599	716,907	1,299,438
Transfers in	-	-	-	-	-
Transfers out	-	(1,100,000)	-	-	(1,100,000)
Contributions	-	261,673	-	-	261,673
Changes in Net Position	(27,811)	(390,584)	162,599	716,907	461,111
Net Position:					
Beginning of Year, as restated	13,724,498	3,250,922	(1,813,459)	2,779,304	17,941,265
End of Year	\$ 13,696,687	\$ 2,860,338	\$ (1,650,860)	\$ 3,496,211	\$ 18,402,376

CITY OF REDLANDS, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds				
	Groves	Non-Potable Water	Cemetery	Aviation	Totals
Cash Flows from Operating Activities:					
Cash received from customers	\$ 721,027	\$ 514,015	\$ 874,396	\$ 292,650	\$ 2,402,088
Cash paid to suppliers for goods and services	(788,263)	(31,544)	(327,955)	(3,125)	(1,150,887)
Cash paid to employees for services	(55,902)	(45,881)	(310,669)	(246,475)	(658,927)
Net Cash Provided (Used) by Operating Activities	<u>(123,138)</u>	<u>436,590</u>	<u>235,772</u>	<u>43,050</u>	<u>592,274</u>
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	(1,100,000)	-	-	(1,100,000)
Advances from other funds	216,044	-	6,635	321,962	544,641
Intergovernmental	-	-	-	40,199	40,199
Grants received	-	-	-	153,927	153,927
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>216,044</u>	<u>(1,100,000)</u>	<u>6,635</u>	<u>516,088</u>	<u>(361,233)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(156,725)	-	(41,340)	(616,711)	(814,776)
Interest paid on long-term debt	-	-	(13,711)	(7,159)	(20,870)
Cash contributions received from developers	-	261,673	-	-	261,673
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(156,725)</u>	<u>261,673</u>	<u>(55,051)</u>	<u>(623,870)</u>	<u>(573,973)</u>
Cash Flows from Investing Activities:					
Interest received	(189)	9,489	10,362	1,853	21,515
Net Cash Provided (Used) by Investing Activities	<u>(189)</u>	<u>9,489</u>	<u>10,362</u>	<u>1,853</u>	<u>21,515</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(64,008)</u>	<u>(392,248)</u>	<u>197,718</u>	<u>(62,879)</u>	<u>(321,417)</u>
Cash and Cash Equivalents at Beginning of Year	64,008	3,290,652	814,987	62,879	4,232,526
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 2,898,404</u>	<u>\$ 1,012,705</u>	<u>\$ -</u>	<u>\$ 3,911,109</u>
Reconciliation of Operating Income to Net Case Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (27,622)	\$ 438,254	\$ 144,127	\$ (135,381)	\$ 419,378
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	7,696	-	35,472	154,829	197,997
(Increase) decrease in accounts receivable	(36,699)	-	(20,581)	(451)	(57,731)
(Increase) decrease in prepaid expense	33	13	536	10,111	10,693
(Increase) decrease in deferred outflows	(4,412)	(7,023)	(56,276)	(19,183)	(86,894)
Increase (decrease) in deferred inflows	(753)	(1,199)	(9,605)	(3,274)	(14,831)
Increase (decrease) in accounts payable	(66,607)	(832)	(47,140)	618	(113,961)
Increase (decrease) in accrued payroll	120	(694)	(3,563)	(2,150)	(6,287)
Increase (decrease) in deposits payable	-	-	63,625	-	63,625
Increase (decrease) in unearned revenue	-	-	-	(4,070)	(4,070)
Increase (decrease) in net pension liability	5,023	7,996	64,073	21,840	98,932
Increase (decrease) in OPEB obligation	-	-	64,641	20,025	84,666
Increase (decrease) in compensated absences	83	75	463	136	757
Total Adjustments	<u>(95,516)</u>	<u>(1,664)</u>	<u>91,645</u>	<u>178,431</u>	<u>172,896</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (123,138)</u>	<u>\$ 436,590</u>	<u>\$ 235,772</u>	<u>\$ 43,050</u>	<u>\$ 592,274</u>
Non-Cash Investing, Capital and Financing Activities:					

During fiscal year 2016-2017, there were no non-cash investing, capital and financing activities.

CITY OF REDLANDS, CALIFORNIA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Governmental Activities - Internal Service Funds			
	Liability Self-Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Assets:				
Current:				
Cash and investments	\$ 2,328,376	\$ 786,406	\$ 1,156,255	\$ 160,895
Receivables:				
Accounts	-	-	-	48,745
Taxes	-	-	-	129,698
Prepaid costs	-	-	-	-
Inventory	-	-	-	85,235
Total Current Assets	<u>2,328,376</u>	<u>786,406</u>	<u>1,156,255</u>	<u>424,573</u>
Noncurrent:				
Capital assets - net of accumulated depreciation	-	327,119	-	137,395
Total Assets	<u>2,328,376</u>	<u>1,113,525</u>	<u>1,156,255</u>	<u>561,968</u>
Deferred Outflows of Resources:				
Deferred pension related items	64,895	348,144	87,822	225,511
Total Assets and Deferred Outflows of Resources	<u>\$ 2,393,271</u>	<u>\$ 1,461,669</u>	<u>\$ 1,244,077</u>	<u>\$ 787,479</u>
Liabilities, Deferred Inflows of Resources and Net Position:				
Liabilities				
Current:				
Accounts payable	\$ 132,740	\$ 88,542	\$ 17,012	\$ 136,661
Accrued payroll	2,341	18,240	4,534	8,174
Accrued claims and judgements	3,239,191	-	4,056,589	-
Total Current Liabilities	<u>3,374,272</u>	<u>106,782</u>	<u>4,078,135</u>	<u>144,835</u>
Noncurrent:				
Accrued compensated absences	271	171,695	4,566	63,675
Accrued claims and judgements	3,239,192	-	4,056,588	-
Net OPEB obligation	118,222	1,397,755	28,275	654,427
Net pension liability	249,503	1,374,708	336,689	890,470
Total Noncurrent Liabilities	<u>3,607,188</u>	<u>2,944,158</u>	<u>4,426,118</u>	<u>1,608,572</u>
Total Liabilities	<u>6,981,460</u>	<u>3,050,940</u>	<u>8,504,253</u>	<u>1,753,407</u>
Deferred Inflows of Resources:				
Deferred pension related items	-	44,361	-	39,045
Net Position:				
Net investment in capital assets	-	327,119	-	137,395
Unrestricted	(4,588,189)	(1,960,751)	(7,260,176)	(1,142,368)
Total Net Position	<u>(4,588,189)</u>	<u>(1,633,632)</u>	<u>(7,260,176)</u>	<u>(1,004,973)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position:	<u>\$ 2,393,271</u>	<u>\$ 1,461,669</u>	<u>\$ 1,244,077</u>	<u>\$ 787,479</u>

Governmental Activities - Internal Service Funds

<u>Utility Billing</u>	<u>Payroll Clearing</u>	<u>Total</u>
\$ 1,875,225	\$ 1,248,839	\$ 7,555,996
4,080	-	52,825
-	-	129,698
-	1,363	1,363
-	-	85,235
<u>1,879,305</u>	<u>1,250,202</u>	<u>7,825,117</u>
-	-	464,514
<u>1,879,305</u>	<u>1,250,202</u>	<u>8,289,631</u>
277,387	-	1,003,759
<u>\$ 2,156,692</u>	<u>\$ 1,250,202</u>	<u>\$ 9,293,390</u>
\$ 4,523	\$ 5,411	\$ 384,889
12,475	1,653,363	1,699,127
-	-	7,295,780
<u>16,998</u>	<u>1,658,774</u>	<u>9,379,796</u>
156,608	-	396,815
-	-	7,295,780
1,144,821	-	3,343,500
<u>1,095,309</u>	<u>-</u>	<u>3,946,679</u>
<u>2,396,738</u>	<u>-</u>	<u>14,982,774</u>
<u>2,413,736</u>	<u>1,658,774</u>	<u>24,362,570</u>
43,455	-	126,861
-	-	464,514
<u>(300,499)</u>	<u>(408,572)</u>	<u>(15,660,555)</u>
<u>(300,499)</u>	<u>(408,572)</u>	<u>(15,196,041)</u>
<u>\$ 2,156,692</u>	<u>\$ 1,250,202</u>	<u>\$ 9,293,390</u>

CITY OF REDLANDS, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Funds			
	Liability Self-Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Operating Revenues:				
Sales and service charges	\$ -	\$ 2,894,934	\$ 2,222,209	\$ 4,304,806
Miscellaneous	139,499	384,396	-	-
Total Operating Revenues	<u>139,499</u>	<u>3,279,330</u>	<u>2,222,209</u>	<u>4,304,806</u>
Operating Expenses:				
Personnel services	173,901	1,149,996	442,319	582,861
Contractual services	2,792,690	1,683,190	2,704,820	1,393,452
Supplies	131	178,397	2,778	2,304,641
Premiums paid out	423,443	-	156,254	-
Depreciation expense	-	149,577	-	43,361
Total Operating Expenses	<u>3,390,165</u>	<u>3,161,160</u>	<u>3,306,171</u>	<u>4,324,315</u>
Operating Income (Loss)	<u>(3,250,666)</u>	<u>118,170</u>	<u>(1,083,962)</u>	<u>(19,509)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	1,614	1,448	3,843	3,003
Interest expense	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,614</u>	<u>1,448</u>	<u>3,843</u>	<u>3,003</u>
Income (Loss) Before Transfers	<u>(3,249,052)</u>	<u>119,618</u>	<u>(1,080,119)</u>	<u>(16,506)</u>
Transfers in	1,650,000	50,000	-	-
Transfers out	-	-	-	-
Changes in Net Position	<u>(1,599,052)</u>	<u>169,618</u>	<u>(1,080,119)</u>	<u>(16,506)</u>
Net Position:				
Beginning of Year, as restated	<u>(2,989,137)</u>	<u>(1,803,250)</u>	<u>(6,180,057)</u>	<u>(988,467)</u>
End of Fiscal Year	<u>\$ (4,588,189)</u>	<u>\$ (1,633,632)</u>	<u>\$ (7,260,176)</u>	<u>\$ (1,004,973)</u>

Governmental Activities - Internal Service Funds

Utility Billing	Payroll Clearing	Total
\$ 930,983	\$ 2,662,390	\$ 13,015,322
495,217	-	1,019,112
1,426,200	2,662,390	14,034,434
1,001,903	-	3,350,980
920,598	-	9,494,750
10,468	-	2,496,415
-	-	579,697
-	-	192,938
1,932,969	-	16,114,780
(506,769)	2,662,390	(2,080,346)
6,767	-	16,675
-	-	-
6,767	-	16,675
(500,002)	2,662,390	(2,063,671)
-	-	1,700,000
-	(3,070,962)	(3,070,962)
(500,002)	(408,572)	(3,434,633)
199,503	-	(11,761,408)
\$ (300,499)	\$ (408,572)	\$ (15,196,041)

CITY OF REDLANDS, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Funds			
	Liability Self-Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 139,619	\$ 3,279,330	\$ 2,222,209	\$ 4,180,430
Cash paid to suppliers for goods and services	(1,121,031)	(1,956,227)	(1,689,767)	(3,917,696)
Cash payments for claims	(423,443)	-	(156,254)	-
Cash paid to employees for services	(156,766)	(986,351)	(437,772)	(561,792)
Net Cash Provided (Used) by Operating Activities	<u>(1,561,621)</u>	<u>336,752</u>	<u>(61,584)</u>	<u>(299,058)</u>
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	-
Cash transfers in	1,650,000	50,000	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,650,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(100,578)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(100,578)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest received	1,614	1,448	3,843	3,003
Net Cash Provided (Used) by Investing Activities	<u>1,614</u>	<u>1,448</u>	<u>3,843</u>	<u>3,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>89,993</u>	<u>287,622</u>	<u>(57,741)</u>	<u>(296,055)</u>
Cash and Cash Equivalents at Beginning of Year	2,238,383	498,784	1,213,996	456,950
Cash and Cash Equivalents at End of Year	<u>\$ 2,328,376</u>	<u>\$ 786,406</u>	<u>\$ 1,156,255</u>	<u>\$ 160,895</u>
Reconciliation of Operating Income to Net Case Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (3,250,666)	\$ 118,170	\$ (1,083,962)	\$ (19,509)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	149,577	-	43,361
(Increase) decrease in accounts receivable	120	-	-	(124,376)
(Increase) decrease in prepaids	134	704	189	882
(Increase) decrease in inventory	-	-	-	(10,235)
(Increase) decrease in deferred outflows	(42,010)	(222,055)	(56,940)	(143,836)
Increase (decrease) in deferred inflows	(5,171)	(37,901)	(6,728)	(24,551)
Increase (decrease) in accounts payable	14,832	(95,344)	(53,215)	(210,250)
Increase (decrease) in accrued payroll	(1,865)	(11,051)	(3,080)	(6,591)
Increase (decrease) in net pension liability	45,885	252,819	61,920	163,764
Increase (decrease) in OPEB obligation	20,025	180,222	8,795	31,507
Increase (decrease) in claims and judgments	1,656,824	-	1,070,857	-
Increase (decrease) in compensated absences	271	1,611	580	776
Total Adjustments	<u>1,689,045</u>	<u>218,582</u>	<u>1,022,378</u>	<u>(279,549)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,561,621)</u>	<u>\$ 336,752</u>	<u>\$ (61,584)</u>	<u>\$ (299,058)</u>

Non-Cash Investing, Capital and Financing Activities:

During fiscal year 2016-2017, there were no non-cash investing, capital and financing activities.

Governmental Activities - Internal Service Funds

	Utility Billing	Payroll Clearing	Total
\$	1,425,910	\$ 4,319,801	\$ 15,567,299
	(930,260)	-	(9,614,981)
	-	-	(579,697)
	(838,192)	-	(2,980,873)
	(342,542)	4,319,801	2,391,748
	-	(3,070,962)	(3,070,962)
	-	-	1,700,000
	-	(3,070,962)	(1,370,962)
	-	-	(100,578)
	-	-	(100,578)
	6,767	-	16,675
	6,767	-	16,675
	(335,775)	1,248,839	936,883
	2,211,000	-	6,619,113
\$	1,875,225	\$ 1,248,839	\$ 7,555,996
\$	(506,769)	\$ 2,662,390	\$ (2,080,346)
	-	-	192,938
	(290)	-	(124,546)
	1,130	(1,363)	1,676
	-	-	(10,235)
	(176,924)	5,411	(636,354)
	(30,198)	1,653,363	1,548,814
	(324)	-	(344,301)
	(12,004)	-	(34,591)
	201,435	-	725,823
	180,220	-	420,769
	-	-	2,727,681
	1,182	-	4,420
	164,227	1,657,411	4,472,094
\$	(342,542)	\$ 4,319,801	\$ 2,391,748

CITY OF REDLANDS, CALIFORNIA

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2017**

	Special Deposits	Community Facilities District Trust	Totals
Assets:			
Cash and investments	\$ 4,635,205	\$ -	\$ 4,635,205
Cash and investments with fiscal agents	-	2,807,857	2,807,857
Receivables:			
Accrued interest	381,277	-	381,277
Total Assets	<u>\$ 5,016,482</u>	<u>\$ 2,807,857</u>	<u>\$ 7,824,339</u>
Liabilities:			
Accounts payable	\$ 333,231	\$ -	\$ 333,231
Deposits payable	4,683,251	2,807,857	7,491,108
Total Liabilities	<u>\$ 5,016,482</u>	<u>\$ 2,807,857</u>	<u>\$ 7,824,339</u>

CITY OF REDLANDS, CALIFORNIA

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 5,322,865	\$ 1,792,745	\$ 2,480,405	\$ 4,635,205
Receivables:				
Accrued interest	238,109	618,525	475,357	381,277
Total Assets	\$ 5,560,974	\$ 2,411,270	\$ 2,955,762	\$ 5,016,482
Liabilities:				
Accounts payable	\$ 227,226	\$ 3,065,209	\$ 2,959,204	\$ 333,231
Deposits payable	5,333,748	22,411	672,908	4,683,251
Total Liabilities	\$ 5,560,974	\$ 3,087,620	\$ 3,632,112	\$ 5,016,482
 <u>Community Facilities District Trust</u>				
Assets:				
Cash and investments with fiscal agents	\$ 2,779,830	\$ 1,424,835	\$ 1,396,808	\$ 2,807,857
Liabilities:				
Deposits payable	\$ 2,779,830	\$ 2,608,965	\$ 2,580,938	\$ 2,807,857
 <u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 5,322,865	\$ 1,792,745	\$ 2,480,405	\$ 4,635,205
Cash and investments with fiscal agents	2,779,830	1,424,835	1,396,808	2,807,857
Receivables:				
Accrued interest	238,109	618,525	475,357	381,277
Total Assets	\$ 8,340,804	\$ 3,836,105	\$ 4,352,570	\$ 7,824,339
Liabilities:				
Accounts payable	\$ 227,226	\$ 3,065,209	\$ 2,959,204	\$ 333,231
Deposits payable	8,113,578	2,631,376	3,253,846	7,491,108
Total Liabilities	\$ 8,340,804	\$ 5,696,585	\$ 6,213,050	\$ 7,824,339

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STATISTICAL SECTION

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This part of the City of Redlands comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	150
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	155
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	160
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	165
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	167
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF REDLANDS

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Invested in capital assets	475,848,979	538,505,009	552,406,654	568,588,535	592,254,886	594,654,756	609,555,372	625,683,667	622,119,006	642,109,428
Restricted	17,261,278	30,310,832	28,304,090	24,855,791	19,135,526	20,158,877	18,466,430	15,584,054	15,258,535	11,100,669
Unrestricted	62,448,864	9,510,396	(2,664,585)	(8,498,201)	(28,840,249)	(26,982,114)	(21,119,030)	(81,181,952)	(81,795,361)	(93,361,330)
Total governmental activities	555,559,121	578,326,237	578,046,159	584,946,125	582,550,163	587,831,519	606,902,772	560,085,769	555,582,180	559,848,767
Business-type activities:										
Invested in capital assets	129,384,736	126,384,905	131,748,403	130,856,115	132,535,317	146,926,486	157,413,884	154,904,203	163,565,980	149,771,777
Restricted	-	4,120,375	4,166,635	4,212,895	4,259,155	416,340	3,702,600	4,671,097	3,702,600	17,399,398
Unrestricted	37,237,084	47,119,032	45,773,154	53,408,410	61,219,702	52,104,617	41,100,249	22,953,122	13,253,120	12,757,392
Total business-type activities	166,621,820	177,624,312	181,688,192	188,477,420	198,014,174	199,447,443	202,216,733	182,528,422	180,521,700	179,928,567
Primary government:										
Invested in capital assets	605,233,715	664,889,914	684,155,057	699,444,650	724,790,203	741,581,242	766,969,256	780,587,870	785,684,986	791,881,205
Restricted	17,261,278	34,431,207	32,470,725	29,068,686	23,394,681	20,575,217	22,169,030	20,255,151	18,961,135	28,500,067
Unrestricted	99,685,948	56,629,428	43,108,569	44,910,209	32,379,453	25,122,503	19,981,219	(58,228,830)	(68,542,241)	(80,603,938)
Total primary government	722,180,941	755,950,549	759,734,351	773,423,545	780,564,337	787,278,962	809,119,505	742,614,191	736,103,880	739,777,334

NOTE:

(1) The City of Redlands implemented GASB 68 for the fiscal year ended June 30, 2015.

The Unrestricted Fund Balance was affected adversely by this Statement in order to reflect net pension liability.

CITY OF REDLANDS
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	15,161,802	19,973,152	15,277,666	11,803,705	9,468,848	9,883,877	10,423,298	10,229,535	16,235,478	14,391,456
Public safety	37,623,861	38,005,815	40,002,463	38,587,942	39,036,010	40,027,122	40,235,772	40,920,668	42,097,211	43,263,363
Culture and recreation	4,129,747	4,021,267	3,610,031	3,349,080	2,810,345	2,997,558	3,041,620	3,554,720	3,542,242	4,086,880
Highway and streets	8,341,455	8,648,714	8,391,171	9,380,254	8,465,455	6,839,184	4,002,946	12,043,276	15,594,075	11,271,259
Library	1,955,443	2,082,948	2,167,109	1,964,269	1,820,554	1,968,343	1,913,756	1,929,752	2,023,972	2,304,552
Interest and fiscal charges	5,035,588	4,335,844	6,957,598	3,456,262	2,120,151	1,589,928	1,447,056	1,297,837	1,123,871	936,132
Total governmental activities expenses	72,247,896	77,067,740	76,406,038	68,541,512	63,721,363	63,306,012	61,064,448	69,975,788	80,616,849	76,253,642
Business-type activities:										
Water	14,112,424	15,666,955	15,813,173	16,211,193	15,328,398	20,139,662	19,437,970	19,556,198	21,635,151	20,514,340
Disposal	8,956,968	10,446,326	9,344,247	9,217,359	8,925,740	10,313,939	11,131,004	12,201,957	12,172,640	12,274,583
Sewer	7,650,890	8,021,053	7,888,041	7,882,670	7,643,531	8,080,035	8,505,197	8,030,897	8,956,871	8,979,254
Aviation	400,298	370,715	250,732	287,854	335,501	317,970	421,012	333,061	609,088	785,348
Cemetery	552,989	522,045	494,949	503,445	522,711	555,402	493,616	681,223	1,304,891	75,761
Groves	604,998	725,163	717,394	656,608	941,578	12,006,971	630,488	689,839	841,529	742,740
NP Water	-	-	411,980	142,541	203,890	197,393	81,897	73,383	81,152	434,912
Total business-type activities expenses	32,278,567	35,752,257	34,920,516	34,901,670	33,901,349	51,611,372	40,701,184	41,566,558	45,601,322	43,806,938
Total primary government expenses	104,526,463	112,819,997	111,326,554	103,443,182	97,622,712	114,917,384	101,765,632	111,542,346	126,218,171	120,060,580
Program revenues:										
Governmental activities:										
Charges for services:										
General government	5,826,011	5,290,837	5,112,805	8,562,031	8,654,843	9,181,388	10,286,376	10,625,356	9,270,657	10,144,231
Public safety	1,229,744	1,390,380	1,330,555	1,711,440	1,394,932	1,407,921	1,916,750	1,975,667	3,403,559	2,696,810
Culture and recreation	237,357	277,167	222,454	293,028	220,020	343,620	296,386	295,199	286,315	719,642
Highway and streets	1,891,618	1,286,006	1,159,894	909,511	1,123,342	1,169,342	1,716,965	1,681,146	1,205,141	1,361,187
Library	51,886	47,282	44,333	34,456	35,086	34,312	35,200	33,270	33,098	125,052
Operating grants and contributions	14,314,045	10,058,173	10,048,934	5,883,602	6,160,827	4,032,286	7,195,092	8,607,394	5,596,864	2,911,259
Capital grants and contributions	125,567,546	29,395,240	11,513,845	8,488,204	1,146,004	987,916	2,117,482	4,666,849	1,346,021	2,257,370
Total governmental activities program revenues	149,118,207	47,745,085	29,432,820	25,882,272	18,735,054	17,156,807	23,564,251	27,884,881	21,141,655	20,215,551
Business-type activities:										
Charges for services:										
Water	18,074,421	18,132,373	17,918,992	18,666,325	20,319,999	22,350,078	23,453,512	22,217,588	18,873,106	22,479,655
Disposal	9,297,234	9,631,846	8,893,718	10,013,969	10,079,232	10,669,471	11,623,769	12,887,067	13,504,267	13,657,953
Sewer	6,868,701	7,077,737	7,650,779	8,200,777	8,653,651	9,092,431	9,576,740	9,688,884	9,531,484	9,340,274
Aviation	230,835	254,398	292,300	210,115	11,721	18,592	16,704	16,472	15,214	575,846
Cemetery	401,733	308,923	419,284	360,923	311,420	341,950	371,968	349,472	461,997	514,015
Groves	600,363	439,670	551,266	432,136	778,378	471,150	740,707	798,577	507,914	700,334
NP Water	-	-	529,891	570,107	474,349	513,722	554,914	499,211	508,556	83,905
Operating grants and contributions	4,313,798	702,524	186,999	871,940	1,301	24,285	180,000	180,000	-	-
Capital grants and contributions	10,917,476	5,729,189	960,605	531,096	1,821,907	2,233,877	3,433,586	4,593,429	392,189	816,777
Total business-type activities program revenues	50,704,561	42,276,660	37,403,834	39,668,288	42,451,958	45,715,556	49,951,900	51,230,700	43,794,727	48,168,759
Total primary government program revenues	199,822,768	90,021,745	66,836,654	65,550,560	61,187,012	62,872,363	73,516,151	79,115,581	64,936,382	68,384,310
Net revenues (expenses):										
Governmental activities	76,870,311	(29,322,655)	(46,973,218)	(42,659,240)	(44,986,309)	(46,149,205)	(37,500,197)	(42,090,907)	(59,475,194)	(56,038,091)
Business-type activities	18,425,994	6,524,403	2,483,318	4,766,618	8,550,609	(5,895,816)	9,250,716	9,664,142	(1,806,595)	4,361,821
Total net revenues (expenses)	95,296,305	(22,798,252)	(44,489,900)	(37,892,622)	(36,435,700)	(52,045,021)	(28,249,481)	(32,426,765)	(61,281,789)	(51,676,270)

CITY OF REDLANDS
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	29,165,961	30,626,167	29,907,393	30,098,303	26,741,406	23,536,133	24,650,592	25,157,824	26,424,395	28,173,741
Sales taxes	13,986,798	11,862,852	11,669,250	12,090,894	12,903,249	15,049,517	15,219,210	16,040,049	18,344,596	16,843,090
Franchise taxes	4,044,161	5,476,066	2,886,836	3,227,606	2,826,459	2,853,021	3,235,114	3,735,682	3,079,571	3,035,317
Other taxes	1,726,102	1,354,067	1,167,543	1,065,671	1,198,772	1,313,022	1,473,576	1,681,618	1,792,527	1,977,985
Use of money & property	2,763,654	2,384,773	746,194	647,310	665,553	58,972	517,169	467,427	800,889	212,991
Intergovernmental (unrestricted)	496,302	436,414	370,373	480,868	165,876	153,836	165,974	424,385	234,787	196,602
Other	-	-	-	642,842	273,246	2,496,060	689,160	1,035,134	1,105,258	7,331,734
Gain/(loss) on sale of capital assets	-	-	-	-	-	151,116	-	-	-	-
Extraordinary gain/(loss) on dissolution of Redevelopment agency (Note 18)	-	-	-	-	21,444,268	-	-	-	-	-
Transfers	1,104,461	(50,568)	(54,449)	573,115	856,972	5,841,908	10,654,350	16,113,690	4,486,199	2,500,914
Total governmental activities	53,287,439	52,089,771	46,693,140	48,826,609	67,075,801	51,453,585	56,605,145	64,655,809	56,268,222	60,272,374
Business-type activities:										
Property taxes	51,398	45,221	38,082	68,098	37,808	41,673	34,597	35,225	38,109	40,199
Use of money & property	2,478,925	2,029,765	1,488,031	610,787	757,749	185,475	1,053,356	921,859	1,335,997	500,783
Other	-	-	-	922,642	914,887	3,686,367	1,032,469	1,152,177	2,911,966	4,627,943
Gain on sale of capital assets	-	-	-	516,500	34,949	9,736,268	28,334	4,840	-	-
Extraordinary gain	-	-	-	-	-	-	2,024,168	-	-	-
Transfers	(1,104,461)	50,568	54,449	(573,115)	(856,972)	(5,841,908)	(10,654,350)	(16,113,690)	(4,486,199)	(2,500,914)
Total business-type activities	1,425,862	2,125,554	1,580,562	1,544,912	888,421	7,807,875	(6,481,426)	(13,999,589)	(200,127)	2,668,011
Total primary government	54,713,301	54,215,325	48,273,702	50,371,521	67,964,222	59,261,460	50,123,719	50,656,220	56,068,095	62,940,385
Changes in net position										
Governmental activities	130,157,750	22,767,116	(280,078)	6,167,369	22,089,492	5,304,380	19,104,948	22,564,902	(3,206,972)	4,234,283
Business-type activities	19,851,856	8,649,957	4,063,880	6,311,530	9,439,030	1,912,059	2,769,290	(4,335,447)	(2,006,722)	7,029,832
Total primary government	150,009,606	31,417,073	3,783,802	12,478,899	31,528,522	7,216,439	21,874,238	18,229,455	(5,213,694)	11,264,115

CITY OF REDLANDS

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Reserved	10,169,670	10,972,417	11,947,625	-	-	-	-	-	-	-
Unreserved	4,958,881	7,889,723	5,802,815	-	-	-	-	-	-	-
Nonspendable	-	-	-	6,046,174	6,598,127	7,717,839	7,857,633	7,481,159	8,324,472	8,517,994
Committed	-	-	-	6,605,311	6,855,311	7,644,141	7,903,654	7,935,152	8,122,332	8,122,332
Assigned	-	-	-	-	-	-	-	1,883,794	2,267,840	2,130,916
Unassigned	-	-	-	8,767,650	9,773,767	10,116,118	12,586,391	14,510,450	13,454,147	13,927,733
Total general fund	<u>15,128,551</u>	<u>18,862,140</u>	<u>17,750,440</u>	<u>21,419,135</u>	<u>23,227,205</u>	<u>25,478,098</u>	<u>28,347,678</u>	<u>31,810,555</u>	<u>32,168,791</u>	<u>32,698,975</u>
1,880,827										
All other governmental funds:										
Reserved	4,274,778	10,888,944	10,779,313	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue fund	23,528,904	19,904,622	15,648,593	-	-	-	-	-	-	-
Debt service fund	8,634,444	3,518,914	977,863	-	-	-	-	-	-	-
Capital projects fund	9,632,720	1,772,665	2,272,252	-	-	-	-	-	-	-
Nonspendable	-	-	-	548,166	361,351	384,997	384,873	327,340	-	2,539,567
Restricted	-	-	-	19,604,935	19,035,151	20,058,201	18,365,510	15,584,054	15,258,535	9,563,703
Committed	-	-	-	6,193,677	5,609,361	5,921,050	6,816,041	6,698,593	7,212,199	8,013,248
Assigned	-	-	-	-	-	-	-	-	-	3,419,978
Unassigned	-	-	-	(1,399,875)	(7,711,358)	(8,801,461)	(8,787,268)	(7,849,278)	(9,553,680)	(10,470,797)
Total all other governmental funds	<u>46,070,846</u>	<u>36,085,145</u>	<u>29,678,021</u>	<u>24,946,903</u>	<u>17,294,505</u>	<u>17,562,787</u>	<u>16,779,156</u>	<u>14,760,709</u>	<u>12,917,054</u>	<u>13,065,699</u>

NOTE:
The City of Redlands implemented GASB 54 in 2011 which changes the reporting of fund balance.

CITY OF REDLANDS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	49,074,516	49,319,152	45,816,050	46,974,366	43,669,886	42,751,693	44,578,492	46,615,173	49,641,089	51,196,332
Licenses and permits	14,405,549	7,422,024	5,216,551	4,760,789	5,628,860	6,090,892	8,668,245	11,582,473	7,321,567	8,482,996
Intergovernmental	9,741,769	6,261,983	5,219,602	7,030,818	5,947,380	4,455,718	6,305,374	5,602,252	3,637,854	4,266,267
Charges for services	2,808,774	4,946,435	6,433,198	7,043,801	6,934,677	6,711,043	7,186,570	7,283,095	7,469,738	7,484,890
Use of money and property	5,336,312	2,559,089	1,497,930	647,310	626,072	52,596	491,377	431,301	717,504	191,541
Other	2,238,590	2,214,972	1,132,620	1,226,613	632,943	2,974,531	1,472,348	1,900,979	3,785,796	3,958,621
Total revenues	83,605,510	72,723,655	65,315,951	67,683,697	63,439,818	63,036,473	68,702,406	73,415,273	72,573,548	75,580,647
Expenditures										
Current:										
General government	19,638,037	19,663,593	14,533,699	11,506,994	9,788,982	10,080,042	10,562,420	11,041,353	12,915,590	12,351,772
Public safety	57,179,014	35,519,554	35,576,831	34,796,584	35,502,542	36,619,437	37,633,605	37,891,668	40,337,356	42,755,811
Highway and streets	4,826,627	4,844,425	4,131,236	4,651,164	4,250,686	4,122,692	5,913,207	6,107,137	5,034,090	5,695,084
Culture and recreation	3,821,206	3,534,250	2,940,479	2,701,864	2,121,891	2,400,303	2,631,892	2,791,661	2,481,223	2,611,210
Library	1,966,965	2,028,917	1,986,391	1,853,094	1,722,370	1,762,796	1,762,608	1,824,593	1,909,442	1,942,607
SERAF Obligation	-	-	2,389,188	491,892	-	-	-	-	-	-
Other pass-through payments	-	-	424,628	777,095	524,481	-	-	-	-	-
Capital outlay	8,384,995	5,817,816	3,650,267	5,403,411	3,176,270	7,470,985	13,431,527	23,146,625	11,481,823	15,476,158
Debt service:										
Principal	4,198,760	4,541,378	5,192,896	5,400,124	5,636,144	3,771,848	3,948,940	3,701,474	3,947,223	3,115,653
Interest and fiscal charges	4,065,938	4,337,676	3,834,596	3,783,017	2,717,604	1,672,907	1,489,466	1,343,002	1,158,384	976,711
Total expenditures	104,081,542	80,287,609	74,660,211	71,365,239	65,440,970	67,901,010	77,373,665	87,847,513	79,265,131	84,925,006
Excess (deficiency) of revenues over (under) expenditures	(20,476,032)	(7,563,954)	(9,344,260)	(3,681,542)	(2,001,152)	(4,864,537)	(8,671,259)	(14,432,240)	(6,691,583)	(9,344,359)
Other financing sources (uses):										
Transfers in	18,608,919	21,658,490	14,225,197	14,749,386	13,566,661	18,682,589	20,792,923	29,941,931	15,911,839	15,430,085
Transfers out	(17,269,538)	(20,346,648)	(12,514,759)	(13,065,366)	(10,990,445)	(11,307,814)	(10,187,645)	(13,980,425)	(9,720,247)	(11,558,209)
Proceeds from sale of capital assets	-	-	-	-	-	350	185,625	16,083	311,189	6,272,810
Extraordinary gain/(loss) on dissolution of Redevelopment agency	-	-	-	-	(5,453,452)	-	-	-	-	-
Restatements	-	-	-	-	(30,841)	8,587	(33,695)	-	-	-
Proceeds of capital lease	236,136	-	114,998	-	-	-	-	-	-	-
Issuance of long term debt	30,502,392	-	-	-	-	-	-	-	-	-
Contributions to other Governments	-	-	-	-	-	-	-	(100,919)	-	-
Discount on issuance of long term debt	(297,722)	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	(4,292,229)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	27,487,958	1,311,842	1,825,436	1,684,020	(2,908,077)	7,383,712	10,757,208	15,876,670	6,502,781	10,144,686
Net change in fund balances	7,011,926	(6,252,112)	(7,518,824)	(1,997,522)	(4,909,229)	2,519,175	2,085,949	1,444,430	(188,802)	800,327
Debt service as a percentage of noncapital expenditures ¹	8.6%	11.9%	12.7%	14.1%	13.5%	9.3%	9.5%	8.1%	7.5%	5.9%

NOTE:
In 2011 there were a number of revenue reclassifications for which the City did not go back and adjust prior year totals to reflect the changes.

¹ Calculated by dividing the sum of principal and interest by noncapital expenditures which are total expenditures less a) capital outlay (to extent capitalized for the government-wide statements of net position); and b) expenditures for capitalized assets contained within the functional expenditure categories.

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	City			Redevelopment Agency			Total	
	Secured	Unsecured	Taxable Assessed Value Less: Exemptions	Secured	Unsecured	Taxable Assessed Value Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2008	6,535,813	204,391	6,660,649 (79,555)	428,699	56,938	484,870 (767)	7,145,519	0.27358
2009	6,935,648	231,948	7,087,862 (79,734)	456,545	58,275	514,056 (764)	7,601,918	0.27448
2010	6,518,846	232,468	6,671,523 (79,791)	705,249	81,977	782,027 (5,199)	7,453,550	0.27641
2011	6,348,706	200,425	6,468,934 (80,197)	704,031	99,220	798,083 (5,168)	7,267,017	0.28110
2012	6,214,264	189,324	6,324,349 (79,239)	702,581	98,928	796,457 (5,052)	7,120,806	0.28343
2013	7,127,034	301,158	7,350,136 (78,056)	-	-	-	7,350,136	0.28450
2014	7,311,929	313,408	7,548,785 (76,552)	-	-	-	7,548,785	0.22927
2015	7,725,648	316,364	7,966,979 (75,033)	-	-	-	7,966,979	0.21913
2016	8,112,897	337,359	8,376,226 (74,030)	-	-	-	8,376,226	0.21877
2017	8,616,414	309,224	8,848,830 (76,808)	-	-	-	8,848,830	0.21877

NOTE:
In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available, with respect to the actual market value of taxable property, and is subject to the limitations described above.

With the approval of ABX1 26, the State eliminated Redevelopment from the State of California for the Fiscal Year 2012/13 and years thereafter.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)
California Municipal Statistcs, Inc.
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS

Assessed Value and Estimated Actual Value of Taxable Property by Major Type

Last Ten Fiscal Years
(in thousands of dollars)

Category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	4,724,469	4,866,787	4,511,071	4,344,036	4,375,904	4,603,792	4,781,493	5,102,276	5,355,614	5,643,230
Commercial	745,188	828,697	905,533	939,004	909,737	919,179	920,337	941,128	959,063	988,145
Industrial	495,797	682,669	732,243	751,264	649,237	641,987	675,107	774,960	790,087	1,035,053
Dry Farm	840	714	-	-	-	-	-	-	-	-
Government	4,457	1,380	471	470	2,499	488	498	1,478	505	513
Institutional	14,163	14,604	14,399	13,898	13,890	14,083	15,906	15,809	16,172	16,293
Irrigated	36,360	40,045	32,307	30,874	26,967	27,292	41,179	30,844	26,691	26,750
Miscellaneous	18,547	17,869	14,379	14,718	16,123	19,068	20,217	22,390	23,785	26,495
Recreational	28,932	30,591	31,864	32,472	32,453	34,762	31,852	31,962	32,520	32,808
Vacant Land	289,940	313,328	307,578	269,144	249,102	249,220	234,071	231,763	277,305	209,375
SBE Nonunitary	605,819	595,509	664,832	647,926	629,042	610,154	591,269	573,038	631,155	637,752
Unsecured	261,329	290,223	323,863	308,576	297,334	301,158	313,408	316,364	337,359	309,224
Unknown	-	-	-	-	2,809	7,009	-	-	-	-
Total Assessed Value	7,225,841	7,682,416	7,538,540	7,352,382	7,205,097	7,428,192	7,625,337	8,042,012	8,450,256	8,925,638
Less: Exemptions	(80,322)	(80,498)	(84,990)	(85,365)	(84,291)	(78,056)	(76,552)	(75,033)	(74,030)	(76,808)
Taxable Assessed Value	7,145,519	7,601,918	7,453,550	7,267,017	7,120,806	7,350,136	7,548,785	7,966,979	8,376,226	8,848,830
Total Direct Rate	0.27358	0.27448	0.27641	0.28110	0.28343	0.28450	0.22927	0.21913	0.21877	0.21877

NOTE:

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available, with respect to the actual market value of taxable property, and is subject to the limitations described above.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Share of Basic Levy (1)	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Overlapping Rates: (2)										
County General Fund	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600
County Superintendent	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750
Inland Empire Joint Resource Conservation District	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050
Educational Revenue Augmentation Fund	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110
Flood Control Zone 3	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560
Flood Control Zone 8	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088
Redlands Unified	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160
San Bernardino Community College	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130
San Bernardino Valley Municipal Water	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02640	0.02640
San Bernardino Valley Water Conservation District	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.000</u>	<u>1.000</u>
Redlands Debt Service	0.01030	0.00990	0.01060	0.01080	0.01110	0.01090	0.01050	-	-	-
Redlands Unified	0.03220	0.05190	0.05410	0.06170	0.05820	0.06410	0.06290	0.05940	0.05670	0.05240
San Bernardino Community College	0.01270	0.03930	0.02800	0.04670	0.03730	0.04590	0.04190	0.03930	0.04030	0.03500
San Bernardino Unified	0.06610	0.06780	0.07470	0.08840	0.09780	0.09980	0.13500	0.10810	0.11820	0.07950
San Bernardino Valley Municipal Water	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16250</u>	<u>0.16250</u>	<u>0.16250</u>	<u>0.16250</u>	<u>0.16250</u>
Total Voter Approved Rate	<u>0.28630</u>	<u>0.33390</u>	<u>0.33240</u>	<u>0.37260</u>	<u>0.36940</u>	<u>0.38320</u>	<u>0.41280</u>	<u>0.36930</u>	<u>0.37770</u>	<u>0.32940</u>
Total Direct and Overlapping Rate	<u>1.28630</u>	<u>1.33390</u>	<u>1.33240</u>	<u>1.37260</u>	<u>1.36940</u>	<u>1.38320</u>	<u>1.41280</u>	<u>1.36930</u>	<u>1.37780</u>	<u>1.32950</u>
City Share of 1% Levy Per Prop 13 (3)	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Redlands Debt Service	0.01030	0.00990	0.01060	0.01080	0.01110	0.01090	0.01050	-	-	-
RDA Incremental Rate (4)	1.17530	1.17490	1.17560	1.17580	1.17610	-	-	-	-	-
City Direct Rate (5)	0.27358	0.27448	0.27641	0.28110	0.28343	0.28450	0.22927	0.21913	0.21877	0.21877

NOTES:

(1) In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies in which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter approved items.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

(4) RDA rate is based on the largest TDA tax rate area (TRA) and includes only rates from indebtedness prior to 1989 per California State Statute. RDA direct and overlapping rates are applied only to the incremental property values. With the approval of ABX1 26, the State eliminated Redevelopment from the State of California for the Fiscal Year 2012/13 and years thereafter.

(5) Because basic and debt rates vary by tax rate area, individual rates cannot be summed. Total Direct Rate is the

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Principal Property Tax Payers
Current Year and Nine Years Ago
In \$1,000

Taxpayer	2017		2008	
	Total Net Taxable Assessed Value	Percentage of Total City Net Taxable Assessed Value	Total Net Taxable Assessed Value	Percentage of Total City Net Taxable Assessed Value
Southern California Edison Company	\$ 637,418	7.20%	-	N/A
Prologis California II LP	\$ 166,741	1.88%	\$ 130,917	1.81%
Bre Piper MF Parkview Terrace	\$ 87,718	0.99%	-	N/A
NYS New LLC	\$ 85,264	0.96%	-	N/A
Redlands 52 Development LLC	\$ 85,262	0.96%	-	N/A
AMB Institutional Alliance Fund III	\$ 84,850	0.96%	-	N/A
IIT Redlands DC LP	\$ 79,354	0.90%	-	N/A
BRE California Redlands LLC	\$ 71,012	0.80%	-	N/A
2301 W. San Bernardino Ave Invest Group	\$ 57,226	0.65%	\$ 50,980	0.71%
CLPF-Redlands Business Center LP	\$ 45,026	0.51%	-	N/A
Mountainview Power Company LLC	-	N/A	\$ 603,600	8.35%
Evans Withycombe Residential	-	N/A	\$ 69,226	0.96%
NYS New, LLC	-	N/A	\$ 45,189	0.63%
US Industrial REIT II	-	N/A	\$ 28,021	0.39%
Bixby Land Company	-	N/A	\$ 25,070	0.35%
Carat LLC	-	N/A	\$ 23,874	0.33%
On Texas Street LLC	-	N/A	\$ 22,322	0.31%
Pattillo Industrial Partners LLC	-	N/A	\$ 21,257	0.29%
Top Ten Total	\$ 1,399,871	15.82%	\$ 1,020,456	14.12%
City Total Net Taxable Assessed Value	\$ 8,848,830		\$ 7,226,760	

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Property Tax Levies and Collections¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy ²		Subsequent Years Collections of Prior Years	Total Collections to Date ²	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	28,989,125	27,666,659	95.44%	1,487,446	29,154,105	100.57%
2009	29,041,866	27,732,874	95.49%	1,820,062	29,552,936	101.76%
2010	27,857,389	27,284,416	97.94%	1,625,142	28,909,558	103.78%
2011	29,341,082	27,744,927	94.56%	1,437,741	29,182,668	99.46%
2012	28,198,322	26,757,388	94.89%	722,821	27,480,209	97.45%
2013	29,365,178	28,237,555	96.16%	725,114	28,962,669	98.63%
2014	29,697,798	29,620,584	99.74%	834,306	30,454,890	102.55%
2015	30,236,660	30,224,565	99.96%	618,909	30,843,474	102.01%
2016	31,245,233	31,220,237	99.92%	593,784	31,814,021	101.82%
2017	34,008,589	33,739,921	99.21%	561,371	34,301,292	100.86%

NOTE:

¹ The amounts presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. The State dissolved the redevelopment agency effective in 2012. This resulted in the City having to issue a refund of increment received that the County deemed as excess.

² Subsequent Years Collections of Prior Years may include delinquent tax payments from multiple prior years which are not identified separately by the County of San Bernardino. Any tax system changes required to identify and track this information would have to be developed in the County's tax system and subsequently included in reports provided to the City. At this time it is not known when or if the County will make such a change.

Source: City of Redlands, San Bernardino County Auditor-Controller/Treasurer/Tax Collector

CITY OF REDLANDS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						Business-type Activities						Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans / Capital Lease Obligations	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Solid Waste Revenue Bonds	Certificates of Participation	Loans / Capital Lease Obligations	Total Business-type Activities			
2008	3,170,000	25,907,621	37,930,000	14,435,042	3,964,467	85,407,130	13,700,000	11,565,000	-	-	11,496,989	36,761,989	122,169,119	5.94%	1,720
2009	2,695,000	25,626,705	36,080,000	13,007,038	3,458,089	80,866,832	12,250,000	10,635,000	-	-	11,256,422	34,141,422	115,008,254	5.53%	1,612
2010	2,195,000	24,773,830	34,185,000	11,544,034	3,095,191	75,793,055	10,730,000	9,660,000	-	-	10,598,668	30,988,668	106,781,723	5.24%	1,493
2011	1,680,000	23,789,186	32,210,000	10,021,030	2,884,385	70,584,601	9,145,000	8,645,000	-	-	9,922,740	27,712,740	98,297,341	4.47%	1,367
2012	1,145,000	22,667,969	-	8,448,026	2,548,241	34,809,236	7,485,000	7,580,000	-	-	10,347,274	25,412,274	60,221,510	2.78%	867
2013	585,000	21,400,395	-	6,800,022	2,266,391	31,051,808	3,579,945	4,959,409	-	-	14,909,475	23,448,829	54,500,637	2.42%	781
2014	-	19,966,684	-	5,077,018	2,077,451	27,121,153	2,402,890	4,001,754	15,132,303	-	17,496,799	39,033,746	66,154,899	2.92%	947
2015	-	18,367,081	-	3,299,014	2,959,007	24,625,102	1,195,000	3,024,098	13,834,309	-	16,429,544	34,482,951	59,108,053	2.63%	847
2016	-	16,581,841	-	1,466,010	2,656,784	20,704,635	-	2,021,443	12,506,313	-	18,819,314	33,347,070	54,051,705	2.41%	774
2017	-	14,596,411	-	643,006	2,376,131	17,615,548	-	990,000	11,138,322	-	20,929,311	33,057,633	50,673,181	2.31%	732

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

Source: City of Redlands

CITY OF REDLANDS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt					Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Total		
2008	3,170	25,908	37,930	14,435	81,443	1.13%	1,147
2009	2,695	25,627	36,080	13,007	77,409	1.01%	1,085
2010	2,195	24,774	34,185	11,544	72,698	0.96%	1,016
2011	1,680	23,789	32,210	10,021	67,700	0.92%	941
2012	1,145	22,668	-	8,448	32,261	0.45%	464
2013	585	21,400	-	6,800	28,785	0.39%	412
2014	-	19,967	-	5,077	25,044	0.28%	358
2015	-	18,367	-	3,299	21,666	0.27%	310
2016	-	16,582	-	1,466	18,048	0.18%	259
2017	-	14,596	-	643	15,239	0.17%	224

NOTE:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF REDLANDS
Direct and Overlapping Debt
June 30, 2017

Net Taxable 2015-2016 Assessed Valuation \$ 8,848,830,271

	Percentage Applicable ¹	Outstanding Debt 06/30/17	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
San Bernardino Community College District	14.183%	\$ 453,884,720	\$ 64,374,470
Redlands Unified School District	57.748%	88,578,191	51,152,134
San Bernardino City Unified School District	0.017%	204,495,411	34,764
City of Redlands Community Facilities District No. 2001-1	100.000%	5,335,000	5,335,000
City of Redlands Community Facilities District No. 2003-1	100.000%	8,495,000	8,495,000
Total Overlapping Tax and Assessment Debt		760,788,322	129,391,368
Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	4.521%	\$ 399,400,000	\$ 18,056,874
San Bernardino County Pension Obligations	4.521%	379,612,328	17,162,273
San Bernardino County Flood Control District General Fund Obligations	4.521%	73,680,000	3,331,073
Redlands Unified School District Certificates of Participation	57.748%	5,000,000	2,887,400
San Bernardino City Unified School District	0.017%	47,750,000	8,118
Yucaipa-Calimesa Joint Unified School District Authority	0.017%	8,985,000	1,527
Total Overlapping General Fund Debt		914,427,328	41,447,265
Overlapping Tax Increment Debt			
City of Redlands Tax Allocation Bonds	100%	\$ 13,770,000	\$ 13,770,000
San Bernardino County Inland Valley Tax Allocation Bonds	9.599%	239,870,000	23,025,121
Total Overlapping Tax Increment Debt		253,640,000	36,795,121
Total Gross Overlapping General Fund Debt		1,168,067,328	78,242,386
Less: Redlands Unified School District Self-Supporting Qualified Zone Academy Bonds ²			(1,609,618)
Total Net Overlapping General Fund Debt			76,632,768
Total Gross Overlapping Debt			\$ 207,633,754
Total Net Overlapping Debt			\$ 206,024,136
Direct Tax and Assessment Debt:			
City of Redlands	100.000%	\$ -	\$ -
Direct General Fund Debt:			
City of Redlands General Fund Obligations	100.000%	643,000	\$ 643,000
City of Redlands Pension Obligations	100.000%	14,596,411	14,596,411
Total Direct General Fund Debt		15,239,411	15,239,411
Direct Loan/Capital Lease Debt:			
I-Bank Sports Park Lease	100.000%	\$ 1,514,962	\$ 1,514,962
Capital Leases -Equipment	100.000%	861,169	861,169
Total Direct General Fund Debt		2,376,131	2,376,131
Total Direct Debt			\$ 17,615,542
Total Gross Direct and Overlapping Debt ³			\$ 225,249,296
Total Net Direct and Overlapping Debt ³			\$ 223,639,678

¹ The overlapping district's assessed valuation located within the City is divided by the total assessed valuation of the overlapping district. That percentage is multiplied by the total debt outstanding for the overlapping district resulting in the City's share of debt.

² Academy Bond Annual Payment of \$276,888 is subtracted from balance originally \$5 million issued 2004

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds.

Sources: California Municipal Statistics, Inc.
San Bernardino County Assessor (via HdL, Coren & Cone)
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Legal Debt Margin Information
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuation	7,225,841,687	7,682,415,838	7,538,540,177	7,352,381,771	7,205,098,137	7,428,192,465	7,625,337,937	8,042,012,336	8,450,256,632	8,925,637,991
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	1,806,460,422	1,920,603,960	1,884,635,044	1,838,095,443	1,801,274,534	1,857,048,116	1,906,334,484	2,010,503,084	2,112,564,158	2,231,409,498
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	270,969,063	288,090,594	282,695,257	275,714,316	270,191,180	278,557,217	285,950,173	301,575,463	316,884,624	334,711,425
Total net debt applicable to limit: General obligation bonds	<u>3,170,000</u>	<u>2,695,000</u>	<u>2,195,000</u>	<u>1,680,000</u>	<u>1,145,000</u>	<u>585,000</u>	-	-	-	-
Legal debt margin	<u>267,799,063</u>	<u>285,395,594</u>	<u>280,500,257</u>	<u>274,034,316</u>	<u>269,046,180</u>	<u>277,972,217</u>	<u>285,950,173</u>	<u>301,575,463</u>	<u>316,884,624</u>	<u>334,711,425</u>
Total debt applicable to the limit as a percentage of debt limit	1.2%	0.9%	0.8%	0.6%	0.4%	0.2%	0.0%	0.00%	0.00%	0.00%

NOTE:

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)
City of Redlands
California Municipal Statistics, Inc.

CITY OF REDLANDS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					Wastewater Revenue Bonds					Solid Waste Revenue Bonds				
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Solid Waste Revenue	Less Operating Expenses	Net Available Revenue	Debt Service	
				Principal	Interest				Principal	Interest				Principal	Interest
2008	21,741,391	11,261,448	10,479,943	1,390,000	688,065	9,982,096	5,645,675	4,336,421	895,000	580,299	-	-	-	-	-
2009	20,449,999	12,606,173	7,843,826	1,450,000	624,860	9,330,293	5,982,855	3,347,438	950,000	539,684	-	-	-	-	-
2010	18,925,773	12,560,995	6,364,778	1,520,000	558,035	8,079,798	5,718,330	2,361,468	975,000	496,821	-	-	-	-	-
2011	19,547,528	13,018,065	6,529,463	1,585,000	487,380	8,551,454	5,891,296	2,660,158	1,015,000	451,539	-	-	-	-	-
2012	21,849,228	12,345,054	9,504,174	1,660,000	411,500	9,377,389	5,693,909	3,683,480	1,065,000	402,900	-	-	-	-	-
2013	25,251,130	15,262,512	9,988,618	1,740,000	220,710	9,669,957	6,244,252	3,425,705	1,115,000	244,767	-	-	-	-	-
2014	25,638,627	16,837,289	8,801,338	1,125,000	81,900	11,290,716	6,917,341	4,373,375	880,000	141,550	12,560,609	10,130,417	2,430,192	-	213,642
2015	23,236,963	16,684,682	6,552,281	1,160,000	53,250	9,932,156	6,483,856	3,448,300	900,000	119,250	13,442,842	10,341,915	3,100,927	1,115,000	516,422
2016*	19,566,403	18,802,920	763,483	1,195,000	17,925	9,981,677	7,319,389	2,662,288	925,000	91,875	13,974,604	10,437,524	3,537,080	1,145,000	572,150
2017	-	-	-	-	-	9,483,891	7,207,159	2,276,732	960,000	58,800	13,899,757	9,951,224	3,948,533	1,185,000	537,800

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding indebtedness of the former redevelopment agency was transferred to the Successor Agency.

* In 2016, existing Water Revenue Bonds were fully defeased.

Source: City of Redlands

CITY OF REDLANDS
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2007	71,021	2,055,127	28,937	4.0%
2008	71,339	2,078,671	29,138	5.8%
2009	71,532	2,039,266	28,508	9.6%
2010	71,926	2,198,418	30,565	10.5%
2011	69,498	2,167,990	31,195	9.7%
2012	69,813	2,248,258	32,204	7.0%
2013	69,882	2,265,714	32,422	6.0%
2014	69,814	2,243,752	32,139	4.7%
2015	68,040	2,192,657	32,226	3.0%
2016	69,211	2,195,442	31,721	3.3%

Sources: (1) State of California, Department of Finance - Demographic Research Unit
(2) U.S Department of Commerce U.S Census Bureau
(3) State of California, Employment Development Department

City of Redlands
Principal Employers
Current Year and Nine Years Ago

Employer	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Esri	2,400	6.98%	1,800	4.89%
Redlands Unified School District*	1,955	5.68%	1,835	4.99%
Redlands Community Hospital	1,635	4.75%	1,600	4.35%
Beaver Medical Group (aka Epic Mgmt)	995	2.89%	500	1.36%
City of Redlands	569	1.65%	578	1.57%
University of Redlands	563	1.64%	954	2.59%
Amazon Fullfillment Center (Redlands)**	500			
La-Z-Boy, Inc	382	1.11%	450	1.22%
Loma Linda University BMC	361			
Home Depot	211	0.61%		
La-Z-Boy, Inc.				
Redlands Employment Services, Inc			400	1.09%
Wal-Mart Stores, Inc.			400	1.09%
Southern California Gas Company			383	1.04%
Total of Top Employers	9,571	28%	8,900	24.18%
Total Employees in City	34,400		36,800	
County Pocket Employers (2):				
Amazon Fullfillment Center	700	2.03%		
Burlington Coat Factory Distribution Center	500	1.45%		
Caddo Hardware	375	1.09%		
Kohls Retail Store	165	0.48%		
JCPenney	160	0.47%		

*Count includes PT/FT, classified, certificated, admin.

**Previous year combined County and City totals

NOTES:

(1) The City of Redlands fully encapsulates a county pocket containing Citrus Plaza and a significant industrial area which is home to a number of distribution centers and logistics companies.

The City of Redlands has choosen to list some of the significant employers within this area as it is believed that it employs Redlands residents and contibutes to the financial well being of the City.

(2) "Total Employment" as used above represents the total employment of all employers located within City limits. These are estimates based on the response received from the employer.

CITY OF REDLANDS

City Employees
by Function

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Full-time employees:										
City clerk's office	2	-	-	-	-	-	1	1	1	1
City manager's office	8	6	5	5	6	6	7	7	9	11
City treasurer's office	6	-	-	-	-	-	-	-	-	-
Development services	17	17	15	16	20	20	19	21	22	22
Finance	13	24	21	21	21	22	24	25	26	27
Fire	64	64	61	60	60	61	58	60	60	60
Human resources	6	4	4	5	5	5	7	7	8	10
Library	20	20	17	15	15	16	16	16	17	17
Management information systems	10	14	11	8	9	9	9	9	-	-
Department of Innovation & Tech									10	9
Municipal utilities and engineering:										
Administration	34	26	23	23	24	28	28	34	34	34
Water	41	45	48	47	47	49	49	50	49	49
Wastewater	24	24	24	23	24	24	24	24	24	24
Police	149	159	133	129	131	111	113	121	122	122
Quality of life										
Administration, parks & streets	48	47	37	39	42	46	48	52	56	56
Equipment maintenance	15	11	11	9	7	6	6	6	5	5
Solid waste	39	37	38	34	33	33	32	32	33	33
Cemetery	3	3	3	3	3	3	3	4	4	4
Redevelopment	<u>9</u>	<u>10</u>	<u>5</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>508</u>	<u>511</u>	<u>456</u>	<u>441</u>	<u>447</u>	<u>439</u>	<u>444</u>	<u>469</u>	<u>480</u>	<u>484</u>
Part-time employees ¹	56	45	40	47	64	81	81	88	87	87
At-will employees	-	-	-	-	-	-	-	-	-	-
Grant-funded employees	14	3	11	7	12	12	10	10	10	10
Limited Term Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total	<u>578</u>	<u>559</u>	<u>507</u>	<u>495</u>	<u>523</u>	<u>532</u>	<u>535</u>	<u>567</u>	<u>578</u>	<u>582</u>

¹ Data not available for all fiscal years.

Reorganizations in 2008 and 2016 created new departments, moved divisions and transferred employees. Historical data has been changed to reflect some but not all of these reorganizations.

Source: City of Redlands Budget

CITY OF REDLANDS
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Calls for service ¹	61,184	58,702	54,725	52,611	51,248	52,349	54,529	55,972	47,488	40,159
Emergency calls for service ¹	2,643	2,730	3,091	2,333	1,167	592	504	538	578	517
Citations issued ¹	3,754	7,639	6,516	5,688	5,803	7,617	6,571	6,733	7,062	5,299
Fire:										
Number of incidents	7,885	8,113	8,239	8,470	8,323	8,946	8,980	9,354	10,169	10,484
Inspections performed ¹	2,296	3,145	2,794	2,247	2,994	2,208	2,234	1,974	2,186	2,827
Building and safety:										
Permits issued	2,446	1,453	1,721	1,647	1,536	1,600	2,150	1,932	1,947	2,110
Inspections performed	15,868	12,543	7,920	8,506	7,358	7,717	7,839	4,486	8,293	10,015
Parks and recreation:										
Community center attendance	85,216	68,093	37,973	22,398	18,000	21,084	19,100	31,238	42,625	44,725
Senior center attendance	41,258	34,899	43,706	29,008	20,668	24,897	27,891	29,415	28,675	24,415
Joslyn center attendance	38,960	43,989	37,477	26,707	13,016	19,934	16,932	21,846	23,795	21,554
Youth sports attendance	7,284	10,991	6,787	1,538	3,566	5,677	2,100	21,102	11,521	12,271
Adult sports attendance	30,509	10,259	10,260	4,735	7,780	6,534	20,340	7,200	5,760	2,830
Water:										
Number of services	21,547	21,667	21,534	22,487	23,075	23,845	21,732	21,842	21,842	22,578
Average daily consumption (thousands of gallons)	33,650	22,346	29,960	26,960	23,362	28,375	29,900	24,631	18,679	20,989
Solid waste:										
Recycled materials (tons)	34,317	37,334	28,329	25,194	24,183	25,756	26,570	20,611	22,805	22,287
Refuse disposed (tons)	57,480	54,171	78,832	81,428	71,441	65,887	72,228	49,416	52,826	52,527
Library:										
Number of volumes	141,241	142,050	142,945	144,229	143,622	143,436	142,989	140,667	144,122	144,887

¹ Data reported by calendar year until 2008. Data is by Fiscal Year effective 2009.

In FY 2007/2008 the Police department switched reporting to a fiscal year basis and began reporting emergency calls as priority 1 calls only.

Source: City of Redlands

CITY OF REDLANDS
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	2	2	2	2	2	2	2	2	2
Fire:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Public works:										
Streets (miles)	315	315	315	315	315	315	315	316	316	319
Traffic signals (city-owned)	68	68	68	68	68	68	68	68	68	68
Parks and recreation:										
Parks (acreage)	230	260	260	260	260	279	295	295	295	295
Groves (acreage)	204	204	204	195	195	159	159	159	159	164
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	421	404	386	386	386	386	390	386	386	385
Maximum daily production capacity (thousands of gallons)	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Non Potable Water *										
Water mains (miles)	-	28	28	29	27	29	30	32	33	34
Maximum daily production capacity (thousands of gallons)	-	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Wastewater:										
Sewers (miles)	239	241	239	242	240	242	243	245	245	245
Daily capacity of wastewater plant (thousands of gallons)	5,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1

* Beginning in 2008-2009 potable and non potable water data is reported separately.

Source: City of Redlands