

**CITY OF COALINGA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015**

**CITY OF COALINGA
CALIFORNIA
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Coalinga, 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 Coalinga, California (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 of Coalinga, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principles

As discussed in Note 14, New Pronouncements Adopted, to the financial statements, effective July 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 52 and 53, the Schedule of the City's Proportionate Share of the Net Pension Liability on page 55, and the Schedule of Contributions on page 56 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements 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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of the City of Coalinga's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Coalinga's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
July 25, 2017

BASIC FINANCIAL STATEMENTS

**CITY OF COALINGA
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,841,080	\$ 3,578,157	\$ 7,419,237
Restricted cash with fiscal agent	2,390,985	2,839,258	5,230,243
Receivables (net of allowance for uncollectibles)	1,146,419	672,652	1,819,071
Internal balances	12,907,000	(12,907,000)	-
Prepaid items	-	-	-
Assets held for resale	-	-	-
Advances to the Successor Agency	2,950,000	-	2,950,000
Notes receivable	3,197,746	-	3,197,746
Lease receivable	9,212	-	9,212
Bonds receivable	7,994,942	-	7,994,942
Interest receivable - long-term	937,667	-	937,667
Net pension asset	94,230	88,451	182,681
Capital assets:			
Nondepreciable	2,593,373	1,098,789	3,692,162
Depreciable, net of accumulated depreciation	<u>20,224,002</u>	<u>17,467,342</u>	<u>37,691,344</u>
 Total assets	 <u>58,286,656</u>	 <u>12,837,649</u>	 <u>71,124,305</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>590,771</u>	<u>250,233</u>	<u>841,004</u>
 Total deferred outflows of resources	 <u>590,771</u>	 <u>250,233</u>	 <u>841,004</u>
LIABILITIES			
Accounts payable	217,615	453,750	671,365
Accrued liabilities	49,347	-	49,347
Deposits and other liabilities	79,328	20,400	99,728
Accrued interest payable	346,428	-	346,428
Unearned revenue	757,654	-	757,654
Noncurrent liabilities:			
Due within one year	1,301,383	42,512	1,343,895
Due in more than one year	<u>24,605,998</u>	<u>261,443</u>	<u>24,867,441</u>
 Total liabilities	 <u>27,357,753</u>	 <u>778,105</u>	 <u>28,135,858</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>390,644</u>	<u>112,187</u>	<u>502,831</u>
 Total deferred inflows of resources	 <u>390,644</u>	 <u>112,187</u>	 <u>502,831</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
STATEMENT OF NET POSITION
JUNE 30, 2015
(Continued)

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	19,034,161	7,915,559	26,949,720
Restricted for:			
Community development	3,300,274	-	3,300,274
Law enforcement	48,974	-	48,974
Storm drainage and flood control	24,069	-	24,069
Streets and bridges	97,645	-	97,645
Transit System	7,215	-	7,215
Proposition 40 Park	456,593	-	456,593
Street maintenance	1,956,270	-	1,956,270
LTF Article 8	718,178	-	718,178
Public buildings and facilities	46,728	-	46,728
EDA community buildings	61,699	-	61,699
EDA revolving loans	428,820	-	428,820
Debt service	28,505,931	-	28,505,931
Unrestricted	<u>(23,557,527)</u>	<u>4,282,031</u>	<u>(19,275,496)</u>
 Total net position	 <u>\$ 31,129,030</u>	 <u>\$ 12,197,590</u>	 <u>\$ 43,326,620</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COALINGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs:							
Primary government:							
Governmental activities:							
General government	\$ 1,198,851	\$ 1,203,089	\$ -	\$ -	\$ 4,238	\$ -	\$ 4,238
Public works	1,314,935	127,581	1,559,309	415,383	787,338	-	787,338
Community development	505,025	391,964	(14,434)	192,894	65,399	-	65,399
Public safety	5,978,011	1,980,979	152,236	-	(3,844,796)	-	(3,844,796)
Interest on long-term debt	<u>1,410,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,410,010)</u>	<u>-</u>	<u>(1,410,010)</u>
Total governmental activities	<u>10,406,832</u>	<u>3,703,613</u>	<u>1,697,111</u>	<u>608,277</u>	<u>(4,397,831)</u>	<u>-</u>	<u>(4,397,831)</u>
Business-type activities:							
Water	4,014,323	3,873,779	-	-	-	(140,544)	(140,544)
Sewer	1,098,217	1,040,546	-	-	-	(57,671)	(57,671)
Natural gas	1,708,813	1,485,363	-	-	-	(223,450)	(223,450)
Sanitation	1,588,738	1,567,640	-	248,859	-	227,761	227,761
Utility billing	<u>427,457</u>	<u>447,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,240</u>	<u>20,240</u>
Total business-type activities	<u>8,837,548</u>	<u>8,415,025</u>	<u>-</u>	<u>248,859</u>	<u>-</u>	<u>(173,664)</u>	<u>(173,664)</u>
Total	<u>\$ 19,244,380</u>	<u>\$ 12,118,638</u>	<u>\$ 1,697,111</u>	<u>\$ 857,136</u>	<u>(4,397,831)</u>	<u>(173,664)</u>	<u>(4,571,495)</u>
General revenues:							
Property taxes					2,496,011	-	2,496,011
Sales taxes					753,475	-	753,475
Franchise and other taxes					359,114	-	359,114
Rents					78,767	22,700	101,467
Unrestricted investment earnings					1,530,529	4,850	1,535,379
Gain (loss) on sale of assets					687,272	-	687,272
Miscellaneous					57,090	58,133	115,223
Special item - transfer from Successor Agency					<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total general revenues					<u>7,462,258</u>	<u>85,683</u>	<u>7,547,941</u>
Changes in net position					3,064,427	(87,981)	2,976,446
Net position - beginning, restated					<u>28,064,603</u>	<u>12,285,571</u>	<u>40,350,174</u>
Net position - ending					<u>\$ 31,129,030</u>	<u>\$ 12,197,590</u>	<u>\$ 43,326,620</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Coalinga Public Financing Authority Debt Service Fund	Low-Moderate Housing Asset Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ -	\$ 502,337	\$ 110,194	\$ 3,228,549	\$ 3,841,080
Restricted cash with fiscal agent	-	2,390,985	-	-	2,390,985
Receivables (net of allowance for uncollectibles)	556,050	-	-	590,369	1,146,419
Due from other funds	-	-	-	2,389,030	2,389,030
Advances to other funds	-	13,730,000	-	-	13,730,000
Advances to the Successor Agency	-	2,950,000	-	-	2,950,000
Notes receivable	-	-	3,197,746	-	3,197,746
Lease receivable	9,212	-	-	-	9,212
Bonds receivable	-	7,994,942	-	-	7,994,942
Long-term interest receivable	-	937,667	-	-	937,667
Total assets	\$ 565,262	\$ 28,505,931	\$ 3,307,940	\$ 6,207,948	\$ 38,587,081
LIABILITIES					
Accounts payable	\$ 110,351	\$ -	\$ 7,666	\$ 99,598	\$ 217,615
Accrued liabilities	49,347	-	-	-	49,347
Deposits and other liabilities	71,628	-	-	7,700	79,328
Due to other funds	2,260,263	-	-	506,767	2,767,030
Advances from other funds	11,000	-	-	434,000	445,000
Unearned revenue	748,625	-	-	9,029	757,654
Total liabilities	3,251,214	-	7,666	1,057,094	4,315,974
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	1,697,746	236,593	1,934,339
Total deferred inflows of resources	-	-	1,697,746	236,593	1,934,339
FUND BALANCES (DEFICIT)					
Nonspendable:					
Notes receivable	-	-	1,500,000	-	1,500,000
Leases receivable	9,212	-	-	-	9,212
Advances to other funds	-	13,730,000	-	-	13,730,000
Advances to the Successor Agency	-	2,950,000	-	-	2,950,000
Bonds receivable	-	7,994,942	-	-	7,994,942
Long-term interest receivable	-	937,667	-	-	937,667
Restricted:					
Community development	-	-	102,528	-	102,528
Law enforcement	-	-	-	48,974	48,974
Storm drainage and flood control	-	-	-	24,069	24,069
Streets and bridges	-	-	-	97,645	97,645
Transit system	-	-	-	7,215	7,215
Proposition 40 Park	-	-	-	220,000	220,000
Street maintenance	-	-	-	1,956,270	1,956,270
LTF Article 8	-	-	-	718,178	718,178
Public buildings and facilities	-	-	-	46,728	46,728
EDA community buildings	-	-	-	61,699	61,699
EDA revolving loans	-	-	-	428,820	428,820
Debt service	-	2,893,322	-	-	2,893,322
Committed:					
Capital projects and improvements	-	-	-	1,856,875	1,856,875
Unassigned	(2,695,164)	-	-	(552,212)	(3,247,376)
Total fund balances (deficit)	(2,685,952)	28,505,931	1,602,528	4,914,261	32,336,768
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 565,262	\$ 28,505,931	\$ 3,307,940	\$ 6,207,948	\$ 38,587,081

The accompanying notes are an integral part of these financial statements.

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

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

Total fund balances - governmental funds	\$	32,336,768
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, they are not reported in the governmental funds.		22,817,375
Other long-term assets are not available resources and, therefore, are not reported in the funds.		1,934,339
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(25,907,381)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is generally not accrued as a liability in the balance sheet of governmental funds.		(346,428)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds.		<u>294,357</u>
Net position of governmental activities	\$	<u><u>31,129,030</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Coalinga Public Financing Authority Debt Service Fund	Low-Moderate Housing Asset Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and special assessments	\$ 3,589,552	\$ -	\$ -	\$ 208,769	\$ 3,798,321
Licenses, permits and impact fees	223,935	-	-	-	223,935
Intergovernmental	35,384	-	-	2,319,197	2,354,581
Charges for services	3,148,643	-	-	32,401	3,181,044
Fines and forfeitures	57,741	-	-	-	57,741
Rental	67,422	-	-	43,469	110,891
Interest	676	1,525,701	-	4,152	1,530,529
Miscellaneous	56,621	-	6,347	469	63,437
Total revenues	<u>7,179,974</u>	<u>1,525,701</u>	<u>6,347</u>	<u>2,608,457</u>	<u>11,320,479</u>
EXPENDITURES					
Current:					
General government	661,051	-	-	-	661,051
Public works	519,436	-	-	740,560	1,259,996
Community development	279,164	-	14,402	133,893	427,459
Public safety	5,341,024	-	-	48,479	5,389,503
Capital outlay	156,888	-	-	1,135,619	1,292,507
Debt service:					
Principal	119,251	1,315,000	-	-	1,434,251
Interest and fiscal charges	25,542	1,308,284	-	50,005	1,383,831
Total expenditures	<u>7,102,356</u>	<u>2,623,284</u>	<u>14,402</u>	<u>2,108,556</u>	<u>11,848,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,618</u>	<u>(1,097,583)</u>	<u>(8,055)</u>	<u>499,901</u>	<u>(528,119)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	141,870	-	-	-	141,870
Sale of general capital assets	687,272	-	-	-	687,272
Total other financing sources (uses)	<u>829,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>829,142</u>
SPECIAL ITEM					
Transfer from Successor Agency	-	-	1,500,000	-	1,500,000
Net changes in fund balances	906,760	(1,097,583)	1,491,945	499,901	1,801,023
Fund balances, beginning, restated	(3,592,712)	29,603,514	110,583	4,414,360	30,535,745
Fund balances (deficit), ending	<u>\$ (2,685,952)</u>	<u>\$ 28,505,931</u>	<u>\$ 1,602,528</u>	<u>\$ 4,914,261</u>	<u>\$ 32,336,768</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COALINGA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds	\$	1,801,023
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.		1,235,805
Depreciation expense on capital assets is reported on the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(1,363,757)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position.		1,199,152
Amortization of long-term debt premiums and discounts do not require the use of current financial resources and is not reported as an expenditure in the governmental funds.		45,219
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.		72,346
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		89,300
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(36,492)
Change in accrued interest is not reported in the governmental funds.		<u>21,831</u>
Change in net position of governmental activities	\$	<u><u>3,064,427</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities					Total
	Water	Sewer	Natural Gas	Sanitation	Nonmajor Utility Billing	
ASSETS						
Current assets:						
Cash and investments	\$ -	\$ 2,174,869	\$ 1,315,984	\$ -	\$ 87,304	\$ 3,578,157
Restricted cash with fiscal agent	2,137,120	702,138	-	-	-	2,839,258
Receivables (net of allowance for uncollectibles)	326,188	123,245	23,701	188,060	11,458	672,652
Due from other funds	<u>-</u>	<u>528,897</u>	<u>620,688</u>	<u>-</u>	<u>-</u>	<u>1,149,585</u>
Total current assets	<u>2,463,308</u>	<u>3,529,149</u>	<u>1,960,373</u>	<u>188,060</u>	<u>98,762</u>	<u>8,239,652</u>
Noncurrent assets:						
Net pension asset	44,183	16,743	23,317	4,208	-	88,451
Capital assets:						
Nondepreciable	50,882	1,047,907	-	-	-	1,098,789
Depreciable, net of accumulated depreciation	<u>11,536,042</u>	<u>5,131,206</u>	<u>449,772</u>	<u>350,322</u>	<u>-</u>	<u>17,467,342</u>
Total noncurrent assets	<u>11,631,107</u>	<u>6,195,856</u>	<u>473,089</u>	<u>354,530</u>	<u>-</u>	<u>18,654,582</u>
Total assets	<u>14,094,415</u>	<u>9,725,005</u>	<u>2,433,462</u>	<u>542,590</u>	<u>98,762</u>	<u>26,894,234</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	<u>125,002</u>	<u>47,361</u>	<u>65,978</u>	<u>11,892</u>	<u>-</u>	<u>250,233</u>
Total deferred outflows of resources	<u>125,002</u>	<u>47,361</u>	<u>65,978</u>	<u>11,892</u>	<u>-</u>	<u>250,233</u>
LIABILITIES						
Current liabilities:						
Accounts payable	268,179	25,451	29,855	121,535	8,730	453,750
Deposits	20,400	-	-	-	-	20,400
Due to other funds	528,897	-	-	242,688	-	771,585
Current portion of long-term debt	<u>-</u>	<u>42,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,512</u>
Total current liabilities	<u>817,476</u>	<u>67,963</u>	<u>29,855</u>	<u>364,223</u>	<u>8,730</u>	<u>1,288,247</u>
Noncurrent liabilities:						
Advances from other funds	10,195,000	3,090,000	-	-	-	13,285,000
Compensated absences	43,241	16,426	24,026	2,963	12,469	99,125
Long-term debt	<u>-</u>	<u>162,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,318</u>
Total noncurrent liabilities	<u>10,238,241</u>	<u>3,268,744</u>	<u>24,026</u>	<u>2,963</u>	<u>12,469</u>	<u>13,546,443</u>
Total liabilities	<u>11,055,717</u>	<u>3,336,707</u>	<u>53,881</u>	<u>367,186</u>	<u>21,199</u>	<u>14,834,690</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	<u>56,040</u>	<u>21,236</u>	<u>29,574</u>	<u>5,337</u>	<u>-</u>	<u>112,187</u>
Total deferred inflows of resources	<u>56,040</u>	<u>21,236</u>	<u>29,574</u>	<u>5,337</u>	<u>-</u>	<u>112,187</u>
NET POSITION						
Net investment in capital assets	3,529,044	3,586,421	449,772	350,322	-	7,915,559
Unrestricted	<u>(421,384)</u>	<u>2,828,002</u>	<u>1,966,213</u>	<u>(168,363)</u>	<u>77,563</u>	<u>4,282,031</u>
Total net position	<u>\$ 3,107,660</u>	<u>\$ 6,414,423</u>	<u>\$ 2,415,985</u>	<u>\$ 181,959</u>	<u>\$ 77,563</u>	<u>\$ 12,197,590</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-Type Activities					Total
	Water	Sewer	Natural Gas	Sanitation	Nonmajor Utility Billing	
Operating revenues:						
Charges for services	\$ 3,851,405	\$ 1,039,170	\$ 1,485,363	\$ 1,567,640	\$ 447,697	\$ 8,391,275
Connection charges	9,025	1,376	-	-	-	10,401
Total operating revenues	<u>3,860,430</u>	<u>1,040,546</u>	<u>1,485,363</u>	<u>1,567,640</u>	<u>447,697</u>	<u>8,401,676</u>
Operating expenses:						
Personnel services	603,033	241,432	268,656	65,500	349,109	1,527,730
Contractual services and utilities	913,090	140,202	186,459	1,462,188	30,984	2,732,923
Supplies and materials	892,295	365,668	605,930	48,988	47,364	1,960,245
Cost of sales	747,418	-	608,001	-	-	1,355,419
Depreciation	346,047	200,952	39,767	12,062	-	598,828
Total operating expenses	<u>3,501,883</u>	<u>948,254</u>	<u>1,708,813</u>	<u>1,588,738</u>	<u>427,457</u>	<u>8,175,145</u>
Operating income (loss)	<u>358,547</u>	<u>92,292</u>	<u>(223,450)</u>	<u>(21,098)</u>	<u>20,240</u>	<u>226,531</u>
Nonoperating revenues (expenses):						
Intergovernmental	-	-	-	248,859	-	248,859
Development impact fees	13,349	-	-	-	-	13,349
Investment earnings	514	2,406	1,930	-	-	4,850
Rental income	-	22,700	-	-	-	22,700
Miscellaneous	21,120	37,013	-	-	-	58,133
Interest expenses	(512,440)	(149,963)	-	-	-	(662,403)
Total nonoperating revenues (expenses)	<u>(477,457)</u>	<u>(87,844)</u>	<u>1,930</u>	<u>248,859</u>	<u>-</u>	<u>(314,512)</u>
Income (loss) before transfers	<u>(118,910)</u>	<u>4,448</u>	<u>(221,520)</u>	<u>227,761</u>	<u>20,240</u>	<u>(87,981)</u>
Changes in net position	(118,910)	4,448	(221,520)	227,761	20,240	(87,981)
Net position, beginning, restated	<u>3,226,570</u>	<u>6,409,975</u>	<u>2,637,505</u>	<u>(45,802)</u>	<u>57,323</u>	<u>12,285,571</u>
Net position, ending	<u>\$ 3,107,660</u>	<u>\$ 6,414,423</u>	<u>\$ 2,415,985</u>	<u>\$ 181,959</u>	<u>\$ 77,563</u>	<u>\$ 12,197,590</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COALINGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities					Total
	Water	Sewer	Natural Gas	Sanitation	Nonmajor Utility Billing	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt from customers and users	\$ 3,915,047	\$ 1,038,780	\$ 1,524,768	\$ 1,584,898	\$ 455,684	\$ 8,519,177
Payments to suppliers and service providers	(2,506,190)	(511,035)	(1,464,187)	(1,526,500)	(74,347)	(6,082,259)
Payments to employees for salaries and benefits	(709,452)	(281,334)	(326,006)	(74,431)	(383,175)	(1,774,398)
Net cash provided (used) by operating activities	<u>699,405</u>	<u>246,411</u>	<u>(265,425)</u>	<u>(16,033)</u>	<u>(1,838)</u>	<u>662,520</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Other receipts	21,120	37,013	-	-	-	58,133
Payments to (from) other funds	(544,384)	1,113,702	(242,688)	16,033	-	342,663
Net cash provided (used) by noncapital financing activities	<u>(523,264)</u>	<u>1,150,715</u>	<u>(242,688)</u>	<u>16,033</u>	<u>-</u>	<u>400,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	-	-	-	248,859	-	248,859
Development impact fees received	13,349	-	-	-	-	13,349
Rental income received	-	22,700	-	-	-	22,700
Acquisition and construction of capital assets	(70,986)	(228,314)	(7,959)	(248,859)	-	(556,118)
Proceeds from capital debt	-	220,289	-	-	-	220,289
Principal paid on capital debt	-	(15,459)	-	-	-	(15,459)
Interest paid on capital debt	(512,440)	(149,963)	-	-	-	(662,403)
Net cash provided (used) by capital and related financing activities	<u>(570,077)</u>	<u>(150,747)</u>	<u>(7,959)</u>	<u>-</u>	<u>-</u>	<u>(728,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	514	2,406	1,930	-	-	4,850
Net cash provided (used) by investing activities	<u>514</u>	<u>2,406</u>	<u>1,930</u>	<u>-</u>	<u>-</u>	<u>4,850</u>
Increase (decrease) in cash and cash equivalents	(393,422)	1,248,785	(514,142)	-	(1,838)	339,383
Cash and cash investments, July 1 (restated)	<u>2,530,542</u>	<u>1,628,222</u>	<u>1,830,126</u>	<u>-</u>	<u>89,142</u>	<u>6,078,032</u>
Cash and cash investments, June 30	<u>\$ 2,137,120</u>	<u>\$ 2,877,007</u>	<u>\$ 1,315,984</u>	<u>\$ -</u>	<u>\$ 87,304</u>	<u>\$ 6,417,415</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)

	Business-Type Activities					Total
	Water	Sewer	Natural Gas	Sanitation	Nonmajor Utility Billing	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 358,547	\$ 92,292	\$ (223,450)	\$ (21,098)	\$ 20,240	\$ 226,531
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	346,047	200,952	39,767	12,062	-	598,828
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	55,817	(1,766)	39,405	17,258	7,987	118,701
(Increase) decrease in deferred outflows of resources	(125,002)	(47,361)	(65,978)	(11,892)	-	(250,233)
Increase (decrease) in accounts payable	46,613	(5,165)	(63,797)	(15,324)	4,001	(33,672)
Increase (decrease) in accrued liabilities	24,730	8,823	13,286	1,827	(13,775)	34,891
Increase (decrease) in deposits and other liabilities	(1,200)	-	-	-	-	(1,200)
Increase (decrease) in compensated absences	(18,004)	(5,857)	(10,915)	5	(20,291)	(55,062)
Increase (decrease) in deferred inflows of resources	56,040	21,236	29,574	5,337	-	112,187
Increase (decrease) in net pension liability	(44,183)	(16,743)	(23,317)	(4,208)	-	(88,451)
Net cash provided (used) by operating activities	<u>\$ 699,405</u>	<u>\$ 246,411</u>	<u>\$ (265,425)</u>	<u>\$ (16,033)</u>	<u>\$ (1,838)</u>	<u>\$ 662,520</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:						
Cash and investments	\$ -	\$ 2,174,869	\$ 1,315,984	\$ -	\$ 87,304	\$ 3,578,157
Cash with fiscal agent	<u>2,137,120</u>	<u>702,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,839,258</u>
Total cash and cash equivalents	<u>\$ 2,137,120</u>	<u>\$ 2,877,007</u>	<u>\$ 1,315,984</u>	<u>\$ -</u>	<u>\$ 87,304</u>	<u>\$ 6,417,415</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COALINGA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Coalinga Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
ASSETS			
Cash and investments	\$ 1,096,493	\$ 50,808	\$ 1,147,301
Restricted cash with fiscal agent	1,782,028	-	1,782,028
Notes receivable	126,556	-	126,556
Assets held for resale	<u>3,107,848</u>	<u>-</u>	<u>3,107,848</u>
 Total assets	 <u>6,112,925</u>	 <u>50,808</u>	 <u>6,163,733</u>
LIABILITIES			
Accounts payable	14,321	-	14,321
Deposits and other liabilities	15,900	-	15,900
Interest payable	123,753	-	123,753
Unearned revenue	600	-	600
Advance from the City of Coalinga	2,950,000	-	2,950,000
Long-term liabilities:			
Due within one year	440,000	-	440,000
Due in more than one year	<u>8,492,609</u>	<u>-</u>	<u>8,492,609</u>
 Total liabilities	 <u>12,037,183</u>	 <u>-</u>	 <u>12,037,183</u>
NET POSITION			
Net position held in trust for:			
Redevelopment dissolution and other purposes	(5,924,258)	-	(5,924,258)
Scholarship	<u>-</u>	<u>50,808</u>	<u>50,808</u>
 Total net position	 <u>\$ (5,924,258)</u>	 <u>\$ 50,808</u>	 <u>\$ (5,873,450)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF COALINGA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Coalinga Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS			
Redevelopment property tax revenues	\$ 1,630,406	\$ -	\$ 1,630,406
Investment earnings	<u>26,839</u>	<u>63</u>	<u>26,902</u>
Total additions	<u>1,657,245</u>	<u>63</u>	<u>1,657,308</u>
DEDUCTIONS			
Administrative costs	252,499	-	252,499
Program expenses	38,660	-	38,660
Community Development	1,500,000	-	1,500,000
Interest and fiscal agency expenses	<u>744,659</u>	<u>-</u>	<u>744,659</u>
Total deductions	<u>2,535,818</u>	<u>-</u>	<u>2,535,818</u>
Changes in net position	(878,573)	63	(878,510)
Net position, beginning, restated	<u>(5,045,685)</u>	<u>50,745</u>	<u>(4,994,940)</u>
Net position, ending	<u>\$ (5,924,258)</u>	<u>\$ 50,808</u>	<u>\$ (5,873,450)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Coalinga, California (the “City”) was incorporated as a general law city in 1906. The City operates under a Council-Manager form of government. The City’s major operations include public safety; highways and streets; water, sewer, natural gas, transit and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. There are no discretely presented component units included in these financial statements.

Blended component unit. The Coalinga Public Financing Authority (“CPFA”) was established in 1991 through a Joint Exercise of Powers Agreement between the City, the Agency, and the Coalinga-Huron Unified School District. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the CPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City. The City set up the CPFA to act as a financing/lending type institution only. The CPFA/City legislative meetings are held concurrently. The CPFA is reported as a debt service fund and does not issue separate financial statements.

Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City’s *business-type activities* and for each function of the City’s *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements – The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

The City reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Coalinga Public Financing Authority Fund** is used to account for revenues and expenditures of the CPFA Revenue Bonds. Bond proceeds are to be used to finance or refinance the costs of various improvement projects for the City and other public agencies.

The **Low-Moderate Housing Asset Special Revenue Fund** accounts for monies received and expended for low and moderate income housing activities pursuant to AB1484.

Enterprise fund financial statements include a statement of net position, statement of revenues, expenses and changes in net position, a statement of cash flows for each major enterprise fund and nonmajor funds aggregated.

The City has four major enterprise funds: the Water Fund, Sewer Fund, Natural Gas Fund, and Sanitation Fund, which are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the City's water production and distribution operations.

The **Sewer Fund** accounts for the activities of the City's sanitary sewer system operations.

The **Natural Gas Fund** accounts for the operation and maintenance of the City's natural gas system.

The **Sanitation Fund** accounts for the operation and maintenance of the City's sanitation system.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

Private Purpose Trust Fund is used to accounts for assets held by the City as trustee for the Successor Agency and Ayres/Beason Scholarships.

The City reports the following private purpose trust funds:

The **Coalinga Successor Agency Fund** accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

The **Ayres/Beason Scholarship Fund** accounts for the assets and liabilities of the Ayres/Beason scholarship.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental funds are reported using *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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 water fund, sewer fund, natural gas fund, sanitation fund, and utility billing funds are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Cash Equivalents

Cash and cash equivalents represent the City's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with original maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as result of this pooling are distributed to the appropriate funds based on year-end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Restricted Cash with Fiscal Agent

The City has funds held by trustee or fiscal agents pledged to the payment or security of bonds and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The City reports restricted cash with fiscal agent in the CPFA debt service fund, the Water and Sewer enterprise funds, and the Coalinga Successor Agency private-purpose trust fund. Amounts reported in these funds are restricted for debt service payments and specific projects.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances (Continued)

Accounts Receivables

These are comprised primarily of revenues that have been earned but not yet received by the City as of June 30 from individual customers, private entities and government agencies. In addition, this account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures/expenses incurred but not yet reimbursed by the grantors. Also, property taxes earned but not received from the County of Fresno as of June 30 and unbilled services for utility and other services delivered to customers but not billed as of June 30, are included in this account. Management determines the allowance for doubtful accounts by evaluating individual customer accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received.

The City uses an independent billing company to bill and collect on all ambulance services. Due to the large amount of bad debts and write-offs, up to 70% of billings, it is the City's policy to report as accounts receivable only those funds that are collected within the three-month period following June 30 of each year.

Property Tax Calendar

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year-end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1 per \$100 of full cash value.

Interfund Transactions

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances (Continued)

Assets Held for Resale

Assets held by the City or the Coalinga Successor Agency for the purpose of improving and reselling are accounted for in the account. Property is valued at the lower of cost or net realizable value.

Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government- Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

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

<u>Class</u>	<u>Useful Life Years</u>
Infrastructure	10 - 50
Buildings, structures and improvements	5 - 40
Water storage rights	40
Transmission and distribution equipment	5 - 50
Rolling equipment	2 - 30
Office equipment	3 - 10

Unearned Revenue

Unearned revenue is that for which recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances (Continued)

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants when funding requirements have been met, but the related funding is not yet available.

Deferred Outflows and Inflows of Resources

The City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Notes 8 and 9 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for the governmental fund-types and proprietary-fund types.

In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

Long-Term Debt

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred outflows or inflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances (Continued)

Compensated Absences

It is the City's policy to permit all employees to accumulate earned but unused vacation, sick pay and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday and eligible sick leave along with any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 9 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

- ***Net investment in capital assets*** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- ***Restricted net position*** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted net position*** – This category represents the net position of the City, which is not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances (Continued)

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Encumbrances

The City does not use encumbrance accounting.

Use of Estimates

The preparation of the 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 and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance and Accountability

Violations of Legal or Contractual Provisions

In accordance with applicable sections of the California Government Code and the Coalinga Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year-end to the extent they have not been expended or encumbered.

Deficit Fund Balance

The General Fund has deficit net fund balance as of June 30, 2015 of \$2,685,952. The deficit is expected to be relieved from the sale of the Claremont jail and through the legalization of medical and recreational marijuana.

The Development Impact Fee capital projects fund has deficit net fund balance as of June 30, 2015 of \$235,993. The deficit is expected to be relieved from future revenues or transfers from the Natural Gas Fund.

The Special Assessment debt service fund has deficit net fund balance as of June 30, 2015 of \$147,777. The deficit is expected to be relieved from future special assessment revenues.

Deficit Net Position

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increments to the extent that it could show on an annual basis that it had incurred indebtedness that must be repaid with tax increments. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Coalinga Successor Agency on February 1, 2012. At June 30, 2015, Coalinga Successor Agency has a deficit of \$5,924,258, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the County's Auditor-Controller.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and investments	\$ 7,419,237
Restricted cash with fiscal agent	5,230,243
Fiduciary Funds:	
Cash and investments	1,147,301
Restricted cash with fiscal agent	<u>1,782,028</u>
 Total cash and investments	 <u>\$ 15,578,809</u>

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

Cash on hand	\$ 2,652
Deposits with financial institutions	2,688,049
Investments	<u>12,888,108</u>
 Total cash and investments	 <u>\$ 15,578,809</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 (or the City's investments policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debts 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None
JPA pools (other investment pools)	N/A	None	None

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	None	None	None
Certificates of deposits	1 year	None	None
Repurchase agreements	30 days	None	None
Local agency investment fund (LAIF)	N/A	None	None
Municipal bonds	None	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 maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements. The City’s investment in the Local Agency Investment Fund (“LAIF”) is available for withdraw in one business day.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 5,875,852	\$ 5,875,852	\$ -	\$ -	\$ -
Held by bond trustee:					
Deposit custody account	654,037	654,037	-	-	-
Money market funds	5,215,736	5,215,736	-	-	-
Investment contracts	1,142,483	-	-	-	1,142,483
Total	<u>\$ 12,888,108</u>	<u>\$ 11,745,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142,483</u>

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 (where applicable) 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	Fair Value	Minimum Legal Rating	Ratings as of Year-End	
			AAAm	Not Rated
State investment pool	\$ 5,875,852	N/A	\$ -	\$ 5,875,852
Held by bond trustee:				
Deposit custody account	654,037	N/A	-	654,037
Money market funds	5,215,736	A	5,215,736	-
Investment contracts	<u>1,142,483</u>	N/A	<u>-</u>	<u>1,142,483</u>
Total	<u>\$ 12,888,108</u>		<u>\$ 5,215,736</u>	<u>\$ 7,672,372</u>

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

\$1,142,483 of the cash and investments reported in the Coalinga Public Financing Authority debt service fund are held in the form of nonnegotiable unrated investment contract issued by Westdeutsche Landesbank Girozentrale that matures on September 15, 2021.

\$654,037 of the cash and investments (including amounts held by bond trustee) reported in the Successor Agency Trust Fund are held in the form of the above-described Deposit custody account fund.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 city will not be able to recover its deposits or will not be able to recover collateral securities that are in 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 the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The carrying amounts of the City's cash deposits totaled \$2,777,367 at June 30, 2015. Bank balances were \$2,688,180, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name.

Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – RECEIVABLES

Receivables as of year-end for the City's individual governmental major funds and aggregate governmental nonmajor funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Receivables:			
Accounts receivable	\$ 345,885	\$ 590,369	\$ 936,254
Due from other governments	<u>210,165</u>	<u>-</u>	<u>210,165</u>
Gross receivables	556,050	590,369	1,146,419
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net receivable	<u>\$ 556,050</u>	<u>\$ 590,369</u>	<u>\$ 1,146,419</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – RECEIVABLES (Continued)

Receivables as of year-end for the City’s enterprise funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Natural Gas</u>	<u>Sanitation</u>	<u>Utility Billing</u>	<u>Total</u>
Receivables:						
Accounts receivable	\$ 366,849	\$ 136,310	\$ 44,418	\$ 210,707	\$ 11,458	\$ 769,742
Gross receivables	366,849	136,310	44,418	210,707	11,458	769,742
Less: allowance for uncollectibles	(40,661)	(13,065)	(20,717)	(22,647)	-	(97,090)
Net receivable	<u>\$ 326,188</u>	<u>\$ 123,245</u>	<u>\$ 23,701</u>	<u>\$ 188,060</u>	<u>\$ 11,458</u>	<u>\$ 672,652</u>

NOTE 4 – NOTES RECEIVABLE

Long-term notes receivable of \$1,697,746 represent monies loaned to homebuyers in connection with a down payment assistance program. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30-year deferral period. At the time of sale, the seller pays the loan balance in full without interest. Starting at the end of the 30-year deferral period, the borrower is required to repay the Down Payment Assistance Loan, without interest, over the following 15 years.

Additionally, the City allocated \$1,500,000 in Successor Agency Housing Bond Proceeds as a residual receipts loan to Warthan Place Investors, LP (Warthan) for the construction of the Warthan Place Apartments Multi-Family Housing Project. The City will be repaid through a residual receipts agreement with Warthan at a 1.0% interest rate.

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2015 is as follows:

Current Interfund Receivables/Payables

Current interfund balances are generally short-term loans to cover temporary cash deficits in various funds and are expected to be repaid shortly after the end of the fiscal year. The City's interfund receivables and payables consisted of the following at June 30, 2015:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Funds:		
General fund	\$ -	\$ 2,260,263
Water	-	528,897
Sewer	528,897	-
Natural gas	620,688	-
Sanitation	-	242,688
Nonmajor Funds:		
Measure C special revenue fund	1,130,132	-
Transit special revenue fund	-	128,767
Community development capital projects fund	1,258,898	-
Development impact fees capital projects fund	<u>-</u>	<u>378,000</u>
Total	<u>\$ 3,538,615</u>	<u>\$ 3,538,615</u>

Long-Term Interfund Advances

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City's long-term interfund advances consisted of the following at June 30, 2015:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major Funds:		
General fund	\$ -	\$ 11,000
Coalinga Public Financing Authority debt service fund	16,680,000	-
Water	-	10,195,000
Sewer	-	3,090,000
Nonmajor Funds:		
Special assessment debt service fund	-	434,000
Fiduciary Funds:		
Coalinga Successor Agency private-purpose trust fund	<u>-</u>	<u>2,950,000</u>
Total	<u>\$ 16,680,000</u>	<u>\$ 16,680,000</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Bonds Receivable and Payable

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City's long-term interfund advances consisted of the following at June 30, 2015:

	Bonds Receivable	Bonds Payable
Major Funds:		
Coalinga Public Financing Authority debt service fund	\$ 8,932,609	\$ -
Fiduciary Funds:		
Coalinga Successor Agency private-purpose trust fund	-	8,932,609
Total	\$ 8,932,609	\$ 8,932,609

Bonds receivable consists of debt instruments purchased by the Coalinga Public Financing Authority (CPFA), which was established in 1991 through a Joint Exercise of Powers Agreement between the City, the former Redevelopment Agency of the City of Coalinga, and the Coalinga-Huron Unified School District. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the CPFA. The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance the costs of various projects for the City and other external agencies. The City set up the CPFA to act as a financing/lending type institution only. In financing the various capital improvement projects, the CPFA purchased bonds, entered into lease/sub-lease agreements and capital financing contracts with the City and other external agencies. The following is a list of the debt instruments comprising the long-term interfund advances and bonds receivable balances in the CPFA debt service fund as of June 30, 2015:

In June 1993, the CPFA loaned \$3,000,000 to the Water Fund for the purpose of financing the acquisition, construction and improvement of certain water facilities and improvements. The final payment of the loan is scheduled for September 15, 2016. The loan balance is \$455,000 as of June 30, 2015.

In June 1991, the CPFA loaned \$4,347,000 to the Special Assessment debt service fund for the purpose of financing the Monterey Avenue Extension, the Jayne Avenue Industrial Park, and the K-Mart off-site projects. The final payment of the loan is scheduled for September 2, 2016. The loan balance is \$209,000 as of June 30, 2015.

In October 1993, the CPFA loaned \$2,269,000 to the Special Assessment debt service fund for the purpose of financing the Highway 198 street improvements projects, in-town street improvements, and the acquisition of the tract number 4492 (Fox Hollow) off-site utilities and street improvements. The final payment of the loan is scheduled for September 2, 2018. The loan balance is \$225,000 as of June 30, 2015.

In June 1991, the CPFA loaned \$611,000 to the former Redevelopment Agency of the City of Coalinga for the purpose of financing the construction of a new police station. The final payment of the loan is scheduled for September 15, 2016. The loan balance is \$11,000 as of June 30, 2015.

In June 1993, the CPFA loaned \$1,420,000 to the former Redevelopment Agency of the City of Coalinga for the purpose of financing the construction of a new police station. The final payment of the loan is scheduled for September 15, 2021. The loan balance is \$605,000 as of June 30, 2015.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Bonds Receivable and Payable (Continued)

In June 1993, the CPFA loaned \$5,480,000 to the former Redevelopment Agency of the City of Coalinga for the purpose of financing the former Redevelopment Agency's \$5,100,000 tax allocation bonds that were issued on June 27, 1991 for the police station project. The final payment of the loan is scheduled for September 15, 2021. The loan balance is \$2,345,000 as of June 30, 2015.

In March 2012, the CPFA loaned \$9,740,000 to the Water and Sewer enterprise funds, respectively, for the purpose of financing the 2012 Water and Wastewater Projects and the refunding of the 2000 Revenue Bonds, Series A (Water and Wastewater Projects). The final payment of the loan is scheduled for March 25, 2048. The outstanding balance as of June 30, 2015 in the Water and Sewer enterprise funds are \$9,740,000 and \$3,090,000, respectively.

Transfers Between Funds

With City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is for grant-related funds or operating supplies. During the fiscal year ended June 30, 2015, there were no Interfund transfers made by the City

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2015 is as follows:

Governmental Activities:	Balance at June 30, 2015 (Restated)	Increases	Decreases	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	\$ 2,510,343	\$ -	\$ -	\$ 2,510,343
Construction in progress	<u>1,992,544</u>	<u>953,061</u>	<u>(2,862,575)</u>	<u>83,030</u>
Total	<u>4,502,887</u>	<u>953,061</u>	<u>(2,862,575)</u>	<u>2,593,373</u>
Depreciable capital assets:				
Buildings and improvements	19,062,907	-	-	19,062,907
Infrastructure	28,964,655	2,874,520	-	31,839,175
Machinery and equipment	<u>5,175,729</u>	<u>270,799</u>	-	<u>5,446,528</u>
Total	<u>53,203,291</u>	<u>3,145,319</u>	-	<u>56,348,610</u>
Less accumulated depreciation for:				
Buildings and structures	(10,306,175)	(530,961)	-	(10,837,136)
Infrastructure	(19,812,604)	(596,082)	-	(20,408,686)
Machinery and equipment	<u>(4,642,072)</u>	<u>(236,714)</u>	-	<u>(4,878,786)</u>
Total	<u>(34,760,851)</u>	<u>(1,363,757)</u>	-	<u>(36,124,608)</u>
Total capital assets being depreciated, net	<u>18,442,440</u>	<u>1,781,562</u>	-	<u>20,224,002</u>
Governmental activities capital assets, net	<u>\$ 22,945,327</u>	<u>\$ 2,734,623</u>	<u>\$ (2,862,575)</u>	<u>\$ 22,817,375</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:	
General government	\$ 831,764
Public works	18,137
Community development	100,077
Public safety	<u>413,779</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,363,757</u>

Capital assets activity of the business-type activities for the year ending June 30, 2015 is as follows:

Business-Type Activities:	Balance at June 30, 2015 (Restated)	Increases	Decreases	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	\$ 1,068,039	\$ -	\$ -	\$ 1,068,039
Construction in progress	<u>4,623,824</u>	<u>56,629</u>	<u>(4,649,703)</u>	<u>30,750</u>
Total	<u>5,691,863</u>	<u>56,629</u>	<u>(4,649,703)</u>	<u>1,098,789</u>
Depreciable capital assets:				
Buildings and improvements	6,531,643	3,504,708	-	10,036,351
Improvements other than buildings	26,542,353	1,150,165	-	27,692,518
Machinery and equipment	<u>5,042,176</u>	<u>479,962</u>	-	<u>5,522,138</u>
Total	<u>38,116,172</u>	<u>5,134,835</u>	-	<u>43,251,007</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,799,853)	(37,392)	-	(5,837,245)
Infrastructure	(14,456,123)	(532,066)	-	(14,988,189)
Machinery and equipment	<u>(4,928,861)</u>	<u>(29,370)</u>	-	<u>(4,958,231)</u>
Total	<u>(25,184,837)</u>	<u>(598,828)</u>	-	<u>(25,783,665)</u>
 Total capital assets, being depreciated, net	 <u>12,931,335</u>	 <u>4,536,007</u>	 -	 <u>17,467,342</u>
 Business-type activities capital assets, net	 <u>\$ 18,623,198</u>	 <u>\$ 4,592,636</u>	 <u>\$ (4,649,703)</u>	 <u>\$ 18,566,131</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-Type Activities:	
Water	\$ 346,047
Sewer	200,952
Natural Gas	39,767
Sanitation	<u>12,062</u>
 Total depreciation expense - business-type activities	 <u>\$ 598,828</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the City for governmental activities for the year ended June 30, 2015:

	Interest Rates	Original Borrowing	Final Maturity	Balance July 1, 2014 (Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:								
Notes Payable:								
Airport Hangar Note Payable	5.08%	\$ 546,521	2015	\$ 26,134	\$ -	\$ (26,134)	\$ -	\$ -
Total Notes Payable				26,134	-	(26,134)	-	-
Bonds Payable:								
1998 Series A Bonds	5.5%-6.375%	12,970,000	2022	3,950,000	-	(865,000)	3,085,000	495,000
1998 Series B Bonds	4.6%-5.0%	1,830,000	2017	65,000	-	-	65,000	65,000
1998 Series C Bonds	5.5%-6.0%	6,140,000	2017	190,000	-	-	190,000	190,000
1993 Series C Bonds (Assessment District 92-1)	7.75%	2,269,000	2019	270,000	-	(45,000)	225,000	50,000
2000 Series Tax Allocation Bonds	5.2%-5.85%	3,404,942	2031	3,304,942	-	(15,000)	3,289,942	15,000
2012 Series Revenue Bonds	3.1%-5.0%	12,830,000	2048	12,830,000	-	-	12,830,000	-
2009 Series A Tax Allocation Bonds	3%-6%	3,235,000	2024	2,515,000	-	(195,000)	2,320,000	210,000
2009 Series B Tax Allocation Bonds	3%-6%	2,660,000	2024	2,065,000	-	(160,000)	1,905,000	170,000
2009 Series C Tax Allocation Bonds	3%-6%	645,000	2024	515,000	-	(35,000)	480,000	45,000
Subtotal				25,704,942	-	(1,315,000)	24,389,942	1,240,000
Bond Premiums				419,443	-	(57,854)	361,589	-
Bond Discounts				(426,443)	-	12,635	(413,808)	-
Accreted Interest				844,438	93,229	-	937,667	-
Total Bonds Payable				26,542,380	93,229	(1,360,219)	25,275,390	1,240,000
Capital Leases Payable:								
Fire Truck Capital Lease	5.125%	346,456	2018	169,461	-	(39,089)	130,372	41,196
KME Fire Engine Capital Lease	5.50%	141,870	2019	-	141,870	(54,028)	87,842	20,187
Total Capital Leases Payable				169,461	141,870	(93,117)	218,214	61,383
Compensated absences				486,123	-	(72,346)	413,777	-
Governmental activities long-term liabilities				<u>\$ 26,737,975</u>	<u>\$ 235,099</u>	<u>\$ (1,479,470)</u>	<u>\$ 25,907,381</u>	<u>\$ 1,301,383</u>
				Balance July 1, 2014 (Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Business-Type Activities:								
Loans Payable								
CalPOP Energy Efficiency Loan Payable	0.00%	220,289		\$ -	\$ 220,289	\$ (15,459)	\$ 204,830	\$ 42,512
Compensated absences				154,187	-	(55,062)	99,125	-
Business-type activities long-term liabilities				<u>\$ 154,187</u>	<u>\$ 220,289</u>	<u>\$ (70,521)</u>	<u>\$ 303,955</u>	<u>\$ 42,512</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The annual debt service requirement schedule is as follows:

Years Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2016	\$ 1,301,383	\$ 1,242,406	\$ 2,543,789	\$ 42,512	\$ -	\$ 42,512
2017	1,099,743	1,171,020	2,270,763	46,377	-	46,377
2018	1,188,286	1,114,123	2,302,409	46,377	-	46,377
2019	1,183,800	1,052,284	2,236,084	46,377	-	46,377
2020	1,165,000	987,470	2,152,470	23,187	-	23,187
2021-2025	6,380,000	3,846,055	10,226,055	-	-	-
2026-2030	2,721,755	4,929,705	7,651,460	-	-	-
2031-2035	1,968,189	2,785,061	4,753,250	-	-	-
2036-2040	2,370,000	1,674,250	4,044,250	-	-	-
2041-2045	3,025,000	1,020,000	4,045,000	-	-	-
2046-2048	2,205,000	224,000	2,429,000	-	-	-
	<u>\$ 24,608,156</u>	<u>\$ 20,046,374</u>	<u>\$ 44,654,530</u>	<u>\$ 204,830</u>	<u>\$ -</u>	<u>\$ 204,830</u>

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Low-Moderate Housing Asset Fund	Other Governmental Funds	Total Governmental Funds
Housing loans	\$ 1,697,746	\$ -	\$ 1,697,746
Intergovernmental revenue	-	236,593	236,593
Total	<u>\$ 1,697,746</u>	<u>\$ 236,593</u>	<u>\$ 1,934,339</u>

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

California Public Employees’ Retirement Plan (CalPERS)

A. General Information about the Pension Plan

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

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

The Plans’ provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.014%	6.25%
	Safety	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% - 2.0%	1.426% - 2.0%
Required employee contribution rates	7.00%	9.50%
Required employer contribution rates	13.46%	9.50%

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees’ Retirement Plan (CalPERS) (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the plan for the year ended June 30, 2015 were \$396,490.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of (\$182,681).

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.0089%
Proportion - June 30, 2014	-0.0029%
Change - Increase (Decrease)	-0.0118%

For the year ended June 30, 2015, the City recognized pension expense of \$182,808. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 396,490	\$ -
Net differences between projected and actual earnings on plan investments	-	443,285
Change in employer's proportion	71,836	59,546
Differences between the employer's actual contributions and the employer's proportionate share of contributions	372,678	-
Total	\$ 841,004	\$ 502,831

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees’ Retirement Plan (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$396,490 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 outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ended June 30		
2016	\$	26,668
2017		26,668
2018		(829)
2019		(110,824)
2020		-
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality	Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees' Retirement Plan (CalPERS) (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is schedule to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we change our methodology.

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

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees’ Retirement Plan (CalPERS) (Continued)

D. Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound 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 the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.65%	Rate 7.65%	8.65%
\$ 652,239	\$ 307,269	\$ (872,797)

E. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

At June 30, 2015, there was no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – RISK MANAGEMENT

The City is a member of the Public Agency Risk Sharing Authority for California (PARSAC), a public entity risk pool in which there is a transferring (sharing) of risk among the pool participants. The City pays an annual premium to PARSAC for its general liability coverage. PARSAC is self-sustaining through member premiums. The City is insured under a retrospectively rated policy in which the initial premium is adjusted based on actual experience during the period of coverage. The City is responsible for all claims up to \$25,000 per occurrence for general and auto liability with a coverage limit at June 30, 2014 of \$975,000.

The City's risk management program also includes fire, property and automobile insurance. The coverage includes an all risk-replacement cost blanket. Additionally, the City has property insurance coverage up to \$975,000 per occurrence.

The City provides worker's compensation and employer's liability coverage on all employees through PARSAC. This insurance is paid entirely by the City. All premiums are paid by the appropriate fund designation for each employee's salary and benefits. In the risk management program for the City, a proactive approach is taken toward work safety for employees. Various training sessions and inspections are conducted throughout the year. The result has been a continued reduction of work related injury claims.

NOTE 11 – OTHER EMPLOYEE BENEFITS

The City offers medical, dental, vision, chiropractic and prescription insurance coverage, as well as group life insurance coverage, to employees and their dependents. Additionally, the City offers an employee assistance program to assist employees and their families with problem assessment and short-term counseling needs. The City pays a portion of premiums in connection with the insurance coverage offered by the City.

City Employee Post Retirement Benefits

In accordance with federal requirements, the City provides its retirees the opportunity to continue enrollment in the City's health insurance program. Premium charges paid by retirees are intended to cover the full cost of benefits provided without cost to the City. For the year ended June 30, 2015, no retirees were enrolled in the health insurance program.

Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries.

The City's deferred compensation administrator, the International City Managers' Association (ICMA) or Verisight qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

The City also offers to two employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). All amounts deferred and invested under this plan, with related interest, are the property and rights of the participating employees and, as such, are not reflected in the accompanying basic financial statements.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS

General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

NOTE 13 – COALINGA SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the “Bill”) which dissolved all redevelopment agencies in the State of California.

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

Successor agencies are only allocated revenue in the amount that is necessary to pay 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.

Cash and Investments

A reconciliation of the Coalinga Successor Agency Private Purpose Trust Fund’s cash and investments as of June 30, 2015 is as follows:

Cash and Investments

Cash and investments	\$ 1,147,301
Restricted cash with fiscal agents	<u>1,782,028</u>
Total cash and investments	<u>\$ 2,929,329</u>

**CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – COALINGA SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND (Continued)

Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the Coalinga Successor Agency Private Purpose Trust Fund at June 30, 2015:

	Interest Rates	Original Borrowing	Final Maturity	Balance July 1, 2014 (Restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bonds Payable								
2000 Series Tax Allocation Bonds	5.2%-5.85%	3,404,942	2031	\$ 3,304,942	\$ -	\$ (15,000)	\$ 3,289,942	\$ 15,000
2009 Series A Tax Allocation Bonds	3%-6%	3,235,000	2024	2,515,000	-	(195,000)	2,320,000	210,000
2009 Series B Tax Allocation Bonds	3%-6%	2,660,000	2024	2,065,000	-	(160,000)	1,905,000	170,000
2009 Series C Tax Allocation Bonds	3%-6%	645,000	2024	515,000	-	(35,000)	480,000	45,000
Subtotal				8,399,942	-	(405,000)	7,994,942	440,000
Accreted Interest				844,438	93,229	-	937,667	-
Total long-term liabilities				<u>\$ 9,244,380</u>	<u>\$ 93,229</u>	<u>\$ (405,000)</u>	<u>\$ 8,932,609</u>	<u>\$ 440,000</u>

The annual debt service requirement schedule is as follows:

Years Ended June 30	Successor Agency		
	Principal	Interest	Totals
2016	\$ 440,000	\$ 413,975	\$ 853,975
2017	460,000	391,885	851,885
2018	490,000	367,198	857,198
2019	505,000	340,236	845,236
2020	540,000	310,011	850,011
2021-2025	4,255,000	884,198	5,139,198
2026-2030	1,196,753	2,328,455	3,525,208
2031	108,189	596,811	705,000
	<u>\$ 7,994,942</u>	<u>\$ 5,632,769</u>	<u>\$ 13,627,711</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE

Prior Period Adjustments

Governmental Activities

Beginning net positions of the Governmental Activities and Business-Type Activities in the Government-Wide Statement of Activities have been restated to record prior period adjustments as presented in the reconciliation below.

Fund Financial Statements

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance of the funds has been restated on the fund basis financial statements as presented in the reconciliation below.

Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, in the fiscal year ending June 30, 2015. The implementation of these statements required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014).

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE (Continued)

Reconciliations of the prior period ending net position for the Governmental Activities in the Government-Wide Statement of Activities and the prior year ending fund balance in the Governmental Funds Changes in Fund Balance are as follows:

	Government-Wide		Governmental Funds			
	Governmental Activities	Additional Governmental Activities Adjustments	General Fund	Coalinga Public Financing Authority Debt Service Fund	Low-Moderate Housing Asset Special Revenue Fund	Nonmajor Governmental Funds
Fund balance/net position, June 30, 2014, as previously reported	\$ 20,006,523	\$ -	\$ (3,351,712)	\$ 1,828,047	\$ 110,583	\$ 4,488,195
Prior period adjustments:						
Understatement of cash and investments	826,087	-	-	826,087	-	-
Understatement of interfund advances to	45,000	-	-	45,000	-	-
Understatement of interfund advances from	(825,000)	-	(241,000)	-	-	(584,000)
Understatement of bonds receivable	5,276,000	-	-	5,276,000	-	-
Understatement of long-term interest receivable	844,438	-	-	844,438	-	-
Overstatement of capital assets	(505,650)	(505,650)	-	-	-	-
Understatement of accrued interest payable	(238,410)	(238,410)	-	-	-	-
Understatement of long-term debt	(5,565,438)	(5,565,438)	-	-	-	-
Understatement of premiums for long-term debt	(116,430)	(116,430)	-	-	-	-
Understatement of discounts for long-term debt	383,319	383,319	-	-	-	-
Overstatement of unavailable revenue	7,218,942	(13,565,000)	-	20,783,942	-	-
Understatement of revenue	510,165	-	-	-	-	510,165
Total prior period adjustments	<u>7,853,023</u>	<u>(19,607,609)</u>	<u>(241,000)</u>	<u>27,775,467</u>	<u>-</u>	<u>(73,835)</u>
Change in accounting principle:						
Record the adjustments of net pension liability and related deferred inflows and outflows of resources due to the implementation of GASB 68	<u>205,057</u>	<u>205,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in accounting principle	<u>205,057</u>	<u>205,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance/net position, July 1, 2014, as restated	<u>\$ 28,064,603</u>	<u>\$ (19,402,552)</u>	<u>\$ (3,592,712)</u>	<u>\$ 29,603,514</u>	<u>\$ 110,583</u>	<u>\$ 4,414,360</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE (Continued)

Reconciliations of the prior period ending net position for the Business-Type Activities in the Government-Wide Statement of Activities, the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position, and the Fiduciary Funds Statement of Changes in Net position are as follows:

	Government-Wide		Enterprise Funds				Fiduciary Fund
	Business-Type Activities	Additional Business-Type Activities Adjustments	Water Fund	Sewer Fund	Natural Gas Fund	Sanitation Fund	Coalinga Successor Agency
Net position, June 30, 2014, as previously reported	\$ 13,453,342	\$ -	\$ 4,137,847	\$ 6,697,145	\$ 2,611,345	\$ (50,318)	\$ (4,398,051)
Prior period adjustments:							
Overstatement of cash and investments	(826,087)	-	(627,877)	(198,210)	-	-	-
Overstatement of capital assets	(7,355)	-	(7,355)	-	-	-	-
Overstatement of accrued interest payable	169,272	-	131,954	37,318	-	-	67,049
Understatement of long-term debt	-	-	-	-	-	-	(663,938)
Overstatement of discounts on long-term debt	(605,715)	-	(460,339)	(145,376)	-	-	-
Total prior period adjustments	<u>(1,269,885)</u>	<u>-</u>	<u>(963,617)</u>	<u>(306,268)</u>	<u>-</u>	<u>-</u>	<u>(596,889)</u>
Change in accounting principle:							
Record the adjustments of net pension liability and related deferred inflows and outflows of resources due to the implementation of GASB 68	102,114	-	52,340	19,098	26,160	4,516	-
Total change in accounting principle	<u>102,114</u>	<u>-</u>	<u>52,340</u>	<u>19,098</u>	<u>26,160</u>	<u>4,516</u>	<u>-</u>
Net position, July 1, 2014, as restated	<u>\$ 12,285,571</u>	<u>\$ -</u>	<u>\$ 3,226,570</u>	<u>\$ 6,409,975</u>	<u>\$ 2,637,505</u>	<u>\$ (45,802)</u>	<u>\$ (4,994,940)</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 – SUBSEQUENT EVENTS

The City sold the former Claremont Custody facility located at 185 W. Gale to Latchkey Pioneers, LLC also known as Ocean Grown Extracts on December 27, 2016 in the amount of \$4,100,000. The net proceeds from the sale of the property to the City was in the amount of \$4,087,150 after all sale-associated fees were deducted. The entire amount of the proceeds was used to fund the General Fund.

On October 9, 2015 the Governor signed the Medical Cannabis Regulation and Safety Act (“Act”), comprised of California legislative bills AB 243, AB 266, and SB 643. In November of 2016 the voters for California passed the Adult Use of Marijuana Act (“AUMA”). Adults, age 21 and older, will be allowed to possess marijuana and grow certain amounts at home for personal use. On June 27, 2017 the Governor of California signed into law Senate Bill 94 which would repeal MCRSA and include certain provisions of MCRSA in the licensing provisions of AUMA. Under the bill, these consolidated provisions would be known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). With the adoption of these various laws and the consolidation of the voter initiative AUMA, this new industry is set to financially benefit the City of Coalinga a tremendous way. The City believes this new emerging industry will create hundreds of jobs, increase buyer spending power and increase tax revenues for the City through its commercial cannabis licensing fees and per square foot taxation model.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES				
Taxes and special assessments	\$ 3,472,155	\$ 3,472,155	\$ 3,589,552	\$ 117,397
Licenses, permits and impact fees	278,428	278,428	223,935	(54,493)
Intergovernmental	77,000	77,000	35,384	(41,616)
Charges for services	3,242,991	3,242,991	3,148,643	(94,348)
Fines and forfeitures	22,000	22,000	57,741	35,741
Rental	62,900	62,900	67,422	4,522
Interest	750	750	676	(74)
Other	<u>6,500</u>	<u>6,500</u>	<u>56,621</u>	<u>50,121</u>
 Total revenues	 <u>7,162,724</u>	 <u>7,162,724</u>	 <u>7,179,974</u>	 <u>17,250</u>
EXPENDITURES				
Current:				
General government	630,860	630,860	661,051	(30,191)
Public works	569,955	569,955	519,436	50,519
Community development	281,187	281,187	279,164	2,023
Public safety	5,456,863	5,456,863	5,341,024	115,839
Capital outlay	27,000	27,000	156,888	(129,888)
Debt service:				
Principal	177,620	177,620	119,251	58,369
Interest and fiscal charges	<u>18,071</u>	<u>18,071</u>	<u>25,542</u>	<u>(7,471)</u>
 Total expenditures	 <u>7,161,556</u>	 <u>7,161,556</u>	 <u>7,102,356</u>	 <u>59,200</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,168</u>	 <u>1,168</u>	 <u>77,618</u>	 <u>76,450</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	141,870	141,870
Sale of general capital assets	-	-	687,272	687,272
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>829,142</u>	 <u>829,142</u>
 Net changes in fund balances	 1,168	 1,168	 906,760	 905,592
Fund balances, beginning	(3,351,712)	(3,351,712)	(3,351,712)	-
Prior period adjustments	<u>(241,000)</u>	<u>(241,000)</u>	<u>(241,000)</u>	<u>-</u>
Fund balances, beginning, restated	<u>(3,592,712)</u>	<u>(3,592,712)</u>	<u>(3,592,712)</u>	<u>-</u>
Fund balances (deficit), ending	<u>\$ (3,591,544)</u>	<u>\$ (3,591,544)</u>	<u>\$ (2,685,952)</u>	<u>\$ 905,592</u>

CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – LOW-MODERATE HOUSING ASSET SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 1,200	\$ 1,200	\$ 6,347	\$ 5,147
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>6,347</u>	<u>5,147</u>
EXPENDITURES				
Current:				
Community development	<u>12,000</u>	<u>12,000</u>	<u>14,402</u>	<u>(2,402)</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>14,402</u>	<u>(2,402)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,800)</u>	<u>(10,800)</u>	<u>(8,055)</u>	<u>2,745</u>
SPECIAL ITEM				
Transfer from Successor Agency	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Net changes in fund balances	(10,800)	(10,800)	1,491,945	1,502,745
Fund balances, beginning, restated	<u>110,583</u>	<u>110,583</u>	<u>110,583</u>	<u>-</u>
Fund balances (deficit), ending	<u>\$ 99,783</u>	<u>\$ 99,783</u>	<u>\$ 1,602,528</u>	<u>\$ 1,502,745</u>

CITY OF COALINGA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2015:

Major Funds:	
General Fund:	
Current:	
General government	(30,191)
Capital outlay	(129,888)
Debt service:	
Interest and fiscal charges	(7,471)
Low-Moderate Income Housing Asset	
Special Revenue Fund	
Current:	
Community development	(2,402)

The excess expenditures were covered by available fund balance in the funds.

**CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2015**

	2015
Proportion of the net pension liability	-0.0029%
Proportionate share of the net pension liability (asset)	\$ (182,681)
Covered payroll	\$ 4,816,404
Proportionate Share of the net pension liability as percentage of covered-employee payroll	-3.79%
Plan fiduciary net position as a percentage of the total pension liability	102.92%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - None

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available

**CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2015**

		2015
Actuarially determined contribution	\$	684,467
Contributions in relation to the actuarially determined contributions		(684,467)
Contribution deficiency (excess)	\$	-
 Covered payroll	 \$	 4,816,404
 Contributions as a percentage of covered payroll		 14.21%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

**CITY OF COALINGA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds				
	Gas Tax	Measure C	Local Transportation	Transit	COPS Grants
ASSETS					
Cash and investments	\$ 485,394	\$ 351,840	\$ 676,847	\$ -	\$ 38,974
Receivables	-	32,605	41,331	136,965	10,000
Due from other funds	-	1,130,132	-	-	-
Total assets	<u>\$ 485,394</u>	<u>\$ 1,514,577</u>	<u>\$ 718,178</u>	<u>\$ 136,965</u>	<u>\$ 48,974</u>
LIABILITIES					
Accounts payable	\$ 36,703	\$ 6,998	\$ -	\$ 983	\$ -
Deposits and other liabilities	-	-	-	-	-
Due to other funds	-	-	-	128,767	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>36,703</u>	<u>6,998</u>	<u>-</u>	<u>129,750</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Restricted:					
Law enforcement	-	-	-	-	48,974
Storm drainage and flood control	-	-	-	-	-
Streets and bridges	-	-	-	-	-
Transit System	-	-	-	7,215	-
Proposition 40 Park	-	-	-	-	-
Street maintenance	448,691	1,507,579	-	-	-
LTF Article 8	-	-	718,178	-	-
Public buildings and facilities	-	-	-	-	-
EDA community buildings	-	-	-	-	-
EDA revolving loans	-	-	-	-	-
Committed:					
Capital projects and improvements	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>448,691</u>	<u>1,507,579</u>	<u>718,178</u>	<u>7,215</u>	<u>48,974</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 485,394</u>	<u>\$ 1,514,577</u>	<u>\$ 718,178</u>	<u>\$ 136,965</u>	<u>\$ 48,974</u>

**CITY OF COALINGA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds		Capital Projects Funds		Debt Service Fund	Totals
	EDA Building Rentals	EDA Revolving Loans	Community Development	Development Impact Fees	Special Assessment Debt Service	
ASSETS						
Cash and investments	\$ 72,033	\$ 428,820	\$ 757,132	\$ 142,007	\$ 275,502	\$ 3,228,549
Receivables	6,735	-	351,920	-	10,813	590,369
Due from other funds	-	-	1,258,898	-	-	2,389,030
Total assets	<u>\$ 78,768</u>	<u>\$ 428,820</u>	<u>\$ 2,367,950</u>	<u>\$ 142,007</u>	<u>\$ 286,315</u>	<u>\$ 6,207,948</u>
LIABILITIES						
Accounts payable	\$ 340	\$ -	\$ 54,482	\$ -	\$ 92	\$ 99,598
Deposits and other liabilities	7,700	-	-	-	-	7,700
Due to other funds	-	-	-	378,000	-	506,767
Advances from other funds	-	-	-	-	434,000	434,000
Unearned revenue	9,029	-	-	-	-	9,029
Total liabilities	<u>17,069</u>	<u>-</u>	<u>54,482</u>	<u>378,000</u>	<u>434,092</u>	<u>1,057,094</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	236,593	-	-	236,593
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>236,593</u>	<u>-</u>	<u>-</u>	<u>236,593</u>
FUND BALANCES (DEFICIT)						
Restricted:						
Law enforcement	-	-	-	-	-	48,974
Storm drainage and flood control	-	-	-	24,069	-	24,069
Streets and bridges	-	-	-	97,645	-	97,645
Transit System	-	-	-	-	-	7,215
Proposition 40 Park	-	-	220,000	-	-	220,000
Street maintenance	-	-	-	-	-	1,956,270
LTF Article 8	-	-	-	-	-	718,178
Public buildings and facilities	-	-	-	46,728	-	46,728
EDA community buildings	61,699	-	-	-	-	61,699
EDA revolving loans	-	428,820	-	-	-	428,820
Committed:						
Capital projects and improvements	-	-	1,856,875	-	-	1,856,875
Unassigned	-	-	-	(404,435)	(147,777)	(552,212)
Total fund balances (deficit)	<u>61,699</u>	<u>428,820</u>	<u>2,076,875</u>	<u>(235,993)</u>	<u>(147,777)</u>	<u>4,914,261</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 78,768</u>	<u>\$ 428,820</u>	<u>\$ 2,367,950</u>	<u>\$ 142,007</u>	<u>\$ 286,315</u>	<u>\$ 6,207,948</u>

**CITY OF COALINGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds				
	Gas Tax	Measure C	Local Transportation	Transit	COPS Grants
REVENUES					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	475,327	413,612	390,272	253,138	106,230
Charges for services	-	-	-	32,401	-
Rental	-	-	-	-	-
Interest	601	1,820	836	-	48
Miscellaneous	469	-	-	-	-
Total revenues	<u>476,397</u>	<u>415,432</u>	<u>391,108</u>	<u>285,539</u>	<u>106,278</u>
EXPENDITURES					
Current:					
Public works	469,490	168	-	262,751	-
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Capital outlay	2,307	103,684	1,239	-	85,692
Debt service:					
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>471,797</u>	<u>103,852</u>	<u>1,239</u>	<u>262,751</u>	<u>85,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,600</u>	<u>311,580</u>	<u>389,869</u>	<u>22,788</u>	<u>20,586</u>
Net changes in fund balances	4,600	311,580	389,869	22,788	20,586
Fund balances, beginning, restated	<u>444,091</u>	<u>1,195,999</u>	<u>328,309</u>	<u>(15,573)</u>	<u>28,388</u>
Fund balances (deficit), ending	<u>\$ 448,691</u>	<u>\$ 1,507,579</u>	<u>\$ 718,178</u>	<u>\$ 7,215</u>	<u>\$ 48,974</u>

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

	Special Revenue Funds		Capital Projects Funds		Debt Service Fund	Totals
	EDA Building Rentals	EDA Revolving Loans	Community Development	Development Impact Fees	Special Assessment Debt Service	
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ 208,769	\$ 208,769
Intergovernmental	-	-	680,618	-	-	2,319,197
Charges for services	-	-	-	-	-	32,401
Rental	43,469	-	-	-	-	43,469
Interest	89	187	-	231	340	4,152
Miscellaneous	-	-	-	-	-	469
Total revenues	<u>43,558</u>	<u>187</u>	<u>680,618</u>	<u>231</u>	<u>209,109</u>	<u>2,608,457</u>
EXPENDITURES						
Current:						
Public works	-	-	8,151	-	-	740,560
Community development	115,595	-	18,298	-	-	133,893
Public safety	-	-	48,479	-	-	48,479
Capital outlay	-	-	942,457	240	-	1,135,619
Debt service:						
Interest and fiscal charges	-	-	-	-	50,005	50,005
Total expenditures	<u>115,595</u>	<u>-</u>	<u>1,017,385</u>	<u>240</u>	<u>50,005</u>	<u>2,108,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,037)</u>	<u>187</u>	<u>(336,767)</u>	<u>(9)</u>	<u>159,104</u>	<u>499,901</u>
Net changes in fund balances	(72,037)	187	(336,767)	(9)	159,104	499,901
Fund balances, beginning, restated	<u>133,736</u>	<u>428,633</u>	<u>2,413,642</u>	<u>(235,984)</u>	<u>(306,881)</u>	<u>4,414,360</u>
Fund balances (deficit), ending	<u>\$ 61,699</u>	<u>\$ 428,820</u>	<u>\$ 2,076,875</u>	<u>\$ (235,993)</u>	<u>\$ (147,777)</u>	<u>\$ 4,914,261</u>

**CITY OF COALINGA
CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2015**

**CITY OF COALINGA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

To the Honorable Mayor and City Council
City of Coalinga, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Coalinga, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated July 25, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

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financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Coalinga's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan following the schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Price Pange & Company

Clovis, California
July 25, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Coalinga, California

Report on Compliance for Each Major Federal Program

We have audited the City of Coalinga, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Coalinga, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Price Page & Company

Clovis, California
July 25, 2017

CITY OF COALINGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures 2015
U.S. Department of Justice			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0045	\$ <u>11,639</u>
Total U.S. Department of Justice			<u>11,639</u>
U.S. Department of Transportation			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	HSIPL -5146(012) *	840,775
Highway Planning and Construction	20.205	HSIPL -5146(013) *	248,859
Highway Planning and Construction	20.205	HSIPL -5146(014) *	<u>28,041</u>
Total U.S. Department of Transportation			<u>1,117,675</u>
Total Federal Awards Expenditures			<u>\$ 1,129,314</u>

* Denotes a major program.

CITY OF COALINGA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial reporting entity, as defined by the Government Accounting Standards Board (“GASB”), consists of the primary government, which is the City of Coalinga, California (the City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Coalinga and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *(OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**CITY OF COALINGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? X Yes No
 Significant deficiencies identified that
 are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes X No
 Significant deficiencies identified that
 are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with Section 510(a)
 of Circular A-133? Yes X No

Identification of major programs

<u>CFDA Number</u> 20.205	<u>Name of Federal Program or Cluster</u> Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

CITY OF COALINGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2015-001

Year-End Closing Process (Material Weakness)

Condition: During the audit of the City's financial statements, we identified material misstatements in the City's general ledger account balance which necessitated the proposal of numerous audit adjustments. Additionally, the City identified an excessive amount of misstatements to the general ledger account balances subsequent to providing us with a final trial balance.

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger in a timely manner. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause: The City's Finance Director and accounting department were not able to perform the year-end close and, in addition to the demands of closing a City's general ledger, there were numerous other financial statement, compliance, and control environment matters. The City ultimately had a vacancy in the Finance Director position which further delayed the year-end closing process.

Effect: The result of the audit included over 30 adjusting journal entries, many of them related to prior year misstatements, which were required to be either posted by the City or proposed by us subsequent to receiving the City's final trial balance.

Recommendation: We recommend that the City perform the following steps in order to address the matters described above:

- 1) Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconcile to the City's general ledger account balances. Additionally, ensure that a system is in place to allow the City to perform this in a timely manner.
- 2) Provide additional assistance to the Finance Department through the hiring of additional competent personnel.
- 3) Provide additional training in accounting specific to government entities to Finance Department staff in order to ensure that they are current with all financial accounting and reporting requirements as directed by the Governmental Accounting Standards Board.

CITY OF COALINGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2015-002

Journal Entries (Material Weakness)

Condition: During a review of the City's general ledger, we noted that an excessive amount of journal entries were recorded in the accounting system. Additionally, we noted that journal entries were being posted to the accounting system prior to being adequately reviewed.

Criteria: A strong system of internal control and management review is necessary in order to ensure that the City transactions are correctly recorded into the City's accounting system and do not require additional subsequent adjustments.

Cause: Controls were not being adhered to in order to ensure that all transactions or journal entries were reviewed in a timely manner and correctly posted to the City accounting system, requiring an excessive amount of corrective journal entries.

Effect: Posting more journal entries than would normally be necessary, or have not been properly reviewed by appropriate personnel, increases the risk of material misstatements due to error or fraud.

Recommendation: We recommend that the City perform the following steps in order to address the matters described above:

- 1) Adhere to its current internal control policies and ensure all transactions and journal entries are reviewed and approved by appropriate personnel prior to being posted to the City's accounting system.
- 2) Provide additional assistance to the Finance Department through the hiring of additional competent personnel.
- 3) Provide training to all department heads responsible for authorizing disbursements on methods to accurately classify all disbursements to the appropriate budget line items.

**CITY OF COALINGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2015-003

Schedule of Expenditures of Federal Awards (Material Weakness)

Condition: The Schedule of Expenditures of Federal Awards (SEFA) initially provided by the City was materially incomplete. There were Federal grants for which the City made expenditures that were not included on the SEFA.

Criteria: A strong system of internal controls and management review requires that expenditures for all Federal grants are accumulated and included on the SEFA in compliance with applicable standards.

Cause: The Finance Department did not maintain a centralized file that includes all City grants so its personnel were unaware of funding sources of certain grants. Additionally, the Finance Department did not have a system in place to track all Federal expenditures necessary for inclusion to the SEFA. Certain grant agreements were not available or identified by the Finance Department.

Effect: The expenditures included on the SEFA initially provided by the City were materially understated.

Recommendation: We recommend that the Finance Department maintain a centralized file of all City grants and create a system to develop an annual grant reconciliation for these grants that identifies the funding source and can be reconciled to the trial balance.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None identified.

**CITY OF COALINGA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

None identified.

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CITY OF COALINGA
The Sunny Side of the Valley

**CITY OF COALINGA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The City will perform the recommended year-end closing steps in order to ensure City's general ledger accounts balances are reported correctly. The City acknowledges the need for additional assistance to the Finance Department therefore has hired a new Financial Service Director and will continue to hire additional year end assistance through a contract as needed.	12/31/2017	Jasmin Bains, Financial Service Director
2015-002	The City will ensure internal control policies are follow to ensure all transactions and journal entries are reviewed and approved by the Financial Services Director. The City acknowledges the need for additional assistance to the Finance Department therefore hired a new Financial Service Director and will continue to hire additional year end assistance through a contract as needed.	12/31/2017	Jasmin Bains, Financial Service Director
2015-003	The Finance Department and other departments of the City will coordinate more effectively to insure correct recording of both the general ledger and Grant Reports. The Finance Department will maintain a centralized file of all City Grants and create a system to develop an annual grant reconciliation for these grants that identifies the funding source and will be reconciled to the general ledger.	12/31/2017	Jasmin Bains, Financial Service Director

Jasmin Bains
Financial Service Director, City of Coalinga