

**CITY OF CORCORAN  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

**CITY OF CORCORAN  
JUNE 30, 2013**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities.....	11
Statement of Net Position – Enterprise Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds .....	15
Statement of Cash Flows – Enterprise Funds .....	16
Statement of Fiduciary Net Position – Fiduciary Funds.....	20
Notes to the Basic Financial Statements.....	23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress .....	58
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund .....	59
Community Development Block Grant Fund.....	60
Home Program Special Revenue Fund .....	61
Notes to the Required Supplementary Information .....	62

**CITY OF CORCORAN  
JUNE 30, 2013**

**TABLE OF CONTENTS**  
(Continued)

	<u>Page</u>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Combining Nonmajor Governmental Funds Statements:	
Description of Nonmajor Governmental Funds.....	64
Combining Balance Sheet – Nonmajor Governmental Funds.....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	66
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	68
Combining Balance Sheet – All Agency Funds .....	69
Combining Statement of Changes in Assets and Liabilities – All Agency Funds .....	70
<b>OTHER INDEPENDENT AUDITOR’S REPORTS</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	73
<b>FINDINGS AND QUESTIONED COSTS:</b>	
Schedule of Findings and Questioned Costs.....	77
Summary Schedule of Prior Year Audit Findings .....	78

## INDEPENDENT AUDITOR'S REPORT

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

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 Corcoran, California (the City), as of and for the year ended June 30, 2013, 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. 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 Corcoran, California, as of June 30, 2013, 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**

As described in Note 9 to the financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 recognizes certain amounts that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources on the statement of net position. Our opinion is not modified with respect to these matters.

**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 schedule of funding progress on page 58 and budgetary comparison information on pages 59-62 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 nonmajor fund financial statements 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 January 17, 2014, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
January 17, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments:			
Unrestricted	\$ 4,490,536	\$ 7,507,525	\$ 11,998,061
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	76,506	731,518	808,024
Receivables	4,340,998	2,057,784	6,398,782
Prepaid expenses	65,948	17,656	83,604
Deposits	182,251	-	182,251
Property held for resale	2,102,299	-	2,102,299
Due from Successor Agency	88,313	-	88,313
Capital assets:			
Non-depreciable	1,287,089	1,854,720	3,141,809
Depreciable, net of accumulated depreciation	<u>10,077,032</u>	<u>26,890,617</u>	<u>36,967,649</u>
Total assets	<u>22,710,972</u>	<u>39,129,526</u>	<u>61,840,498</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derivative instrument - interest rate swap	-	<u>3,037,308</u>	<u>3,037,308</u>
Total deferred outflows of resources	-	<u>3,037,308</u>	<u>3,037,308</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 257,952	\$ 504,104	762,056
Deposits	57,843	-	57,843
Interest payable	-	81,544	81,544
Unearned revenues	3,685,183	-	3,685,183
Noncurrent liabilities:			
Due within one year:			
Note payable	-	94,760	94,760
Certificate of participation	50,000	600,000	650,000
Compensated absences	202,146	27,426	229,572
Due in more than one year:			
Note payable	-	367,545	367,545
Certificate of participation	200,000	21,419,761	21,619,761
Compensated absences	<u>221,001</u>	<u>6,319</u>	<u>227,320</u>
Total liabilities	<u>4,674,125</u>	<u>23,101,459</u>	<u>27,775,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derivative instrument - interest rate swap	-	<u>3,037,308</u>	<u>3,037,308</u>
Total deferred inflows of resources	-	<u>3,037,308</u>	<u>3,037,308</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,114,121	6,263,271	17,377,392
Restricted for:			
Debt service	86,724	801,224	887,948
Community development	333,566	-	333,566
Public safety	176,249	-	176,249
Transportation and streets	2,158,959	-	2,158,959
Parks and recreation	49,977	-	49,977
Unrestricted	<u>4,117,251</u>	<u>8,963,572</u>	<u>13,080,823</u>
Total net position	<u>\$ 18,036,847</u>	<u>\$ 16,028,067</u>	<u>\$ 34,064,914</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	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
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities:							
General government	\$ 786,712	\$ -	\$ -	\$ -	\$ (786,712)	\$ -	\$ (786,712)
Community development	1,776,515	52,693	858,427	-	(865,395)	-	(865,395)
Public safety	3,844,922	28,188	218,628	-	(3,598,106)	-	(3,598,106)
Public works	956,130	-	716,673	6,456	(233,001)	-	(233,001)
Parks and recreation	416,188	-	-	-	(416,188)	-	(416,188)
Interest on long-term debt	25,156	-	-	-	(25,156)	-	(25,156)
<b>Total governmental activities</b>	<b>7,805,623</b>	<b>80,881</b>	<b>1,793,728</b>	<b>6,456</b>	<b>(5,924,558)</b>	<b>-</b>	<b>(5,924,558)</b>
Business-type activities:							
Water	4,653,913	4,465,387	-	-	-	(188,526)	(188,526)
Sewer	1,130,619	1,020,918	-	-	-	(109,701)	(109,701)
Refuse	1,655,061	1,648,247	-	-	-	(6,814)	(6,814)
Storm drain	354,124	304,584	-	-	-	(49,540)	(49,540)
Transit	774,289	72,611	1,393,322	-	-	691,644	691,644
<b>Total business-type activities</b>	<b>8,568,006</b>	<b>7,511,747</b>	<b>1,393,322</b>	<b>-</b>	<b>-</b>	<b>337,063</b>	<b>337,063</b>
<b>Total</b>	<b>\$ 16,373,629</b>	<b>\$ 7,592,628</b>	<b>\$ 3,187,050</b>	<b>\$ 6,456</b>	<b>(5,924,558)</b>	<b>337,063</b>	<b>(5,587,495)</b>
General revenues:							
Taxes:							
Property taxes					616,486	-	616,486
Sales and use taxes					1,148,167	-	1,148,167
Franchise taxes					242,704	-	242,704
Other taxes					163,538	-	163,538
Motor vehicle in-lieu					2,118,981	-	2,118,981
Investment income					11,802	(34,282)	(22,480)
Rental income					327,827	48,251	376,078
Miscellaneous					233,543	569,612	803,155
<b>Total general revenues and transfers</b>					<b>4,863,048</b>	<b>583,581</b>	<b>5,446,629</b>
<b>Change in net position</b>					<b>(1,061,510)</b>	<b>920,644</b>	<b>(140,866)</b>
<b>Net position - beginning</b>					<b>19,129,251</b>	<b>15,912,297</b>	<b>35,041,548</b>
<b>Prior period adjustments</b>					<b>(30,894)</b>	<b>(804,874)</b>	<b>(835,768)</b>
<b>Net position - beginning, restated</b>					<b>19,098,357</b>	<b>15,107,423</b>	<b>34,205,780</b>
<b>Net position - ending</b>					<b>\$ 18,036,847</b>	<b>\$ 16,028,067</b>	<b>\$ 34,064,914</b>

The notes to the basic financial statements are an integral part of this statement.

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## FUND FINANCIAL STATEMENTS

**CITY OF CORCORAN**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General Fund	Housing Authority Special Refunue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments:						
Unrestricted	\$ 1,878,792	\$ 14,414	\$ 132,890	\$ 260,812	\$ 2,203,628	\$ 4,490,536
Cash with fiscal agent:						
Restricted	-	-	-	-	76,506	76,506
Receivables	260,141	176,332	1,258,363	2,320,661	325,501	4,340,998
Due from Successor Agency	88,313	-	-	-	-	88,313
Prepaid expenses	61,101	-	51	-	4,794	65,946
Deposits	182,251	-	-	-	-	182,251
Property held for resale	2,102,299	-	-	-	-	2,102,299
<b>Total assets</b>	<b>\$ 4,572,897</b>	<b>\$ 190,746</b>	<b>\$ 1,391,304</b>	<b>\$ 2,581,473</b>	<b>\$ 2,610,429</b>	<b>\$ 11,346,849</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 156,452	\$ -	\$ 5,779	\$ 68,360	\$ 27,358	\$ 257,949
Deposits	57,143	700	-	-	-	57,843
<b>Total liabilities</b>	<b>213,595</b>	<b>700</b>	<b>5,779</b>	<b>68,360</b>	<b>27,358</b>	<b>315,792</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	16,887	176,325	1,258,208	2,320,588	115,011	3,887,019
<b>Total deferred inflows of resources</b>	<b>16,887</b>	<b>176,325</b>	<b>1,258,208</b>	<b>2,320,588</b>	<b>115,011</b>	<b>3,887,019</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid expenses	61,101	-	-	-	-	61,101
Property held for resale	2,102,299	-	-	-	-	2,102,299
Restricted for:						
Debt service	-	-	-	-	86,724	86,724
Unreserved:						
Community development	-	13,721	127,317	192,525	3	333,566
Public safety	-	-	-	-	176,249	176,249
Transportation and streets	-	-	-	-	2,158,959	2,158,959
Parks and recreation	-	-	-	-	49,977	49,977
Unassigned	2,179,015	-	-	-	(3,852)	2,175,163
<b>Total fund balances</b>	<b>4,342,415</b>	<b>13,721</b>	<b>127,317</b>	<b>192,525</b>	<b>2,468,060</b>	<b>7,144,038</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,572,897</b>	<b>\$ 190,746</b>	<b>\$ 1,391,304</b>	<b>\$ 2,581,473</b>	<b>\$ 2,610,429</b>	<b>\$ 11,346,849</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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

Total fund balances - total governmental funds	\$ 7,144,038
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	11,364,121
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(673,147)
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	<u>201,835</u>
Net position of governmental activities	<u>\$ 18,036,847</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Housing Authority Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 588,939	\$ -	\$ -	\$ -	\$ 9,204	\$ 598,143
Other taxes	1,435,075	-	-	-	-	1,435,075
Licenses and permits	109,395	-	-	-	-	109,395
Intergovernmental revenues	2,226,872	-	-	-	714,245	2,941,117
Charges for services	78,171	-	-	-	-	78,171
Fines and penalties	26,544	-	-	-	1,091	27,635
Use of money and property	441,205	19,806	137	692	81,382	543,222
Grant drawdowns	41,395	-	249,080	312,463	178,782	781,720
Loan repayments	-	8,566	158,000	133,212	11,592	311,370
Miscellaneous	96,914	811	15,919	32,130	37,483	183,257
<b>Total revenues</b>	<u>5,044,510</u>	<u>29,183</u>	<u>423,136</u>	<u>478,497</u>	<u>1,033,779</u>	<u>7,009,105</u>
<b>EXPENDITURES</b>						
Current:						
General government	640,069	-	-	-	13,987	654,056
Community development	-	1,227,413	380,560	319,218	1,440	1,928,631
Public safety	3,623,763	-	-	-	62,721	3,686,484
Public works	230,247	-	-	-	524,377	754,624
Parks and recreation	310,893	-	-	-	41,659	352,552
Capital outlay:						
General government	8,198	-	-	-	-	8,198
Public safety	3,097	-	-	-	85,434	88,531
Public works	-	-	-	-	102,134	102,134
Parks and recreation	-	-	-	-	12,788	12,788
Debt service:						
Principal retirement	-	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	-	25,156	25,156
<b>Total expenditures</b>	<u>4,816,267</u>	<u>1,227,413</u>	<u>380,560</u>	<u>319,218</u>	<u>919,696</u>	<u>7,663,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,243</u>	<u>(1,198,230)</u>	<u>42,576</u>	<u>159,279</u>	<u>114,083</u>	<u>(654,049)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	433,873	-	250,965	-	-	684,838
Operating transfers out	(333,173)	-	(185,705)	-	(165,960)	(684,838)
<b>Total other financing sources (uses)</b>	<u>100,700</u>	<u>-</u>	<u>65,260</u>	<u>-</u>	<u>(165,960)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>328,943</u>	<u>(1,198,230)</u>	<u>107,836</u>	<u>159,279</u>	<u>(51,877)</u>	<u>(654,049)</u>
Fund balances - beginning	4,019,651	1,211,951	19,481	33,246	2,519,937	7,804,266
Prior period adjustment	(6,179)	-	-	-	-	(6,179)
Fund balances - beginning, as restated	<u>4,013,472</u>	<u>1,211,951</u>	<u>19,481</u>	<u>33,246</u>	<u>2,519,937</u>	<u>7,798,087</u>
<b>Fund balances - ending</b>	<u>\$ 4,342,415</u>	<u>\$ 13,721</u>	<u>\$ 127,317</u>	<u>\$ 192,525</u>	<u>\$ 2,468,060</u>	<u>\$ 7,144,038</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds	\$	(654,049)
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.		249,042
Depreciation expense on capital assets is reported in 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.		(544,012)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an increase in net position.		1,275
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.		(56,287)
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.		(107,479)
The issuance of long-term debt (eg., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>50,000</u>
Change in net position of governmental activities	\$	<u>(1,061,510)</u>

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## ENTERPRISE FUNDS

**CITY OF CORCORAN  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
JUNE 30, 2013**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 5,714,613	\$ 636,907	\$ 158,021	\$ 822,233	\$ 175,751	\$ 7,507,525
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	731,518	-	-	-	-	731,518
Receivables	699,191	212,303	290,341	795,378	60,571	2,057,784
Prepays	4,373	5,723	1,934	4,990	636	17,656
Due from other funds	-	20,815	24,633	-	3,818	49,266
Total current assets	<u>7,219,401</u>	<u>875,748</u>	<u>474,929</u>	<u>1,622,601</u>	<u>240,776</u>	<u>10,433,455</u>
Noncurrent assets:						
Advances to other funds	373,900	-	-	-	-	373,900
Capital assets:						
Nondepreciable	1,527,017	281,050	-	-	46,653	1,854,720
Depreciable, net of accumulated depreciation	<u>21,665,509</u>	<u>2,704,321</u>	<u>2,379</u>	<u>733,986</u>	<u>1,784,422</u>	<u>26,890,617</u>
Total noncurrent assets	<u>23,566,426</u>	<u>2,985,371</u>	<u>2,379</u>	<u>733,986</u>	<u>1,831,075</u>	<u>29,119,237</u>
Total assets	<u>30,785,827</u>	<u>3,861,119</u>	<u>477,308</u>	<u>2,356,587</u>	<u>2,071,851</u>	<u>39,552,692</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Derivative instrument - interest rate swap	<u>3,037,308</u>	-	-	-	-	3,037,308
Total deferred outflows of resources	<u>3,037,308</u>	-	-	-	-	3,037,308
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	322,797	65,364	104,901	8,199	2,839	504,100
Interest payable	81,544	-	-	-	-	81,544
Due to other funds	49,266	-	-	-	-	49,266
Compensated absences	11,936	8,835	847	4,826	982	27,426
Certificates of participation	600,000	-	-	-	-	600,000
Notes payable	<u>61,111</u>	<u>33,649</u>	-	-	-	94,760
Total current liabilities	<u>1,126,654</u>	<u>107,848</u>	<u>105,748</u>	<u>13,025</u>	<u>3,821</u>	<u>1,357,096</u>
Noncurrent liabilities:						
Compensated absences	6,319	-	-	-	-	6,319
Advances from other funds	-	-	-	-	373,900	373,900
Certificates of participation	21,419,761	-	-	-	-	21,419,761
Notes payable	<u>326,386</u>	<u>41,159</u>	-	-	-	367,545
Total noncurrent liabilities	<u>21,752,466</u>	<u>41,159</u>	-	-	<u>373,900</u>	<u>22,167,525</u>
Total liabilities	<u>22,879,120</u>	<u>149,007</u>	<u>105,748</u>	<u>13,025</u>	<u>377,721</u>	<u>23,524,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Derivative instrument - interest rate swap	<u>3,037,308</u>	-	-	-	-	3,037,308
Total deferred inflows of resources	<u>3,037,308</u>	-	-	-	-	3,037,308
<b>NET POSITION</b>						
Net investment in capital assets	785,268	2,910,563	2,379	733,986	1,831,075	6,263,271
Restricted for:						
Debt service	801,224	-	-	-	-	801,224
Unrestricted	<u>6,320,215</u>	<u>801,549</u>	<u>369,181</u>	<u>1,609,576</u>	<u>(136,945)</u>	<u>8,963,576</u>
Total net position	<u>\$ 7,906,707</u>	<u>\$ 3,712,112</u>	<u>\$ 371,560</u>	<u>\$ 2,343,562</u>	<u>\$ 1,694,130</u>	<u>\$ 16,028,071</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 4,465,247	\$ 1,020,918	\$ 1,648,247	\$ 72,611	\$ 304,284	\$ 7,511,307
Connection fees	140	-	-	-	300	440
Total operating revenues	<u>4,465,387</u>	<u>1,020,918</u>	<u>1,648,247</u>	<u>72,611</u>	<u>304,584</u>	<u>7,511,747</u>
<b>OPERATING EXPENSES:</b>						
Personnel costs	422,214	289,895	58,066	297,371	31,583	1,099,129
Maintenance and supplies	1,711,286	393,555	1,416,221	68,555	28,081	3,617,698
Depreciation and amortization	1,278,705	277,603	2,658	70,195	92,859	1,722,020
Administrative and allocated costs	<u>296,238</u>	<u>165,227</u>	<u>178,117</u>	<u>338,169</u>	<u>201,601</u>	<u>1,179,352</u>
Total operating expenses	<u>3,708,443</u>	<u>1,126,280</u>	<u>1,655,062</u>	<u>774,290</u>	<u>354,124</u>	<u>7,618,199</u>
Operating income (loss)	<u>756,944</u>	<u>(105,362)</u>	<u>(6,815)</u>	<u>(701,679)</u>	<u>(49,540)</u>	<u>(106,452)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest income	(45,600)	1,972	439	1,843	464	(40,882)
Rental income	44,651	6,600	-	3,600	-	54,851
Grants	-	-	-	785,186	-	785,186
Capital contributions	8,061	19,856	-	-	300	28,217
Intergovernmental	-	-	-	608,136	-	608,136
Other income	530,015	10,585	312	416	67	541,395
Interest and fiscal charges	<u>(945,466)</u>	<u>(4,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(949,803)</u>
Total nonoperating revenues (expenses)	<u>(408,339)</u>	<u>34,676</u>	<u>751</u>	<u>1,399,181</u>	<u>831</u>	<u>1,027,100</u>
Change in net position	<u>348,605</u>	<u>(70,686)</u>	<u>(6,064)</u>	<u>697,502</u>	<u>(48,709)</u>	<u>920,648</u>
Net position - beginning	8,362,977	3,782,798	377,624	1,646,060	1,742,839	15,912,298
Prior period adjustment	<u>(804,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(804,875)</u>
Net position - beginning, as restated	<u>7,558,102</u>	<u>3,782,798</u>	<u>377,624</u>	<u>1,646,060</u>	<u>1,742,839</u>	<u>15,107,423</u>
Net position - ending	<u>\$ 7,906,707</u>	<u>\$ 3,712,112</u>	<u>\$ 371,560</u>	<u>\$ 2,343,562</u>	<u>\$ 1,694,130</u>	<u>\$ 16,028,071</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,470,538	\$ 1,023,440	\$ 1,653,864	\$ 72,611	\$ 305,351	\$ 7,525,804
Cash received from other	-	(12,901)	-	-	-	(12,901)
Cash payments to suppliers for goods and services	(1,718,187)	(386,323)	(1,422,816)	(411,372)	(31,383)	(3,970,081)
Cash payments to employees for services	(419,774)	(289,649)	(57,635)	(296,203)	(31,555)	(1,094,816)
Cash payments to other funds for allocated costs	(301,966)	(162,811)	(175,254)	-	(201,157)	(841,188)
Net cash provided (used) by operating activities	<u>2,030,611</u>	<u>171,756</u>	<u>(1,841)</u>	<u>(634,964)</u>	<u>41,256</u>	<u>1,606,818</u>
Cash flows from noncapital financing activities:						
Proceeds from nonoperating revenues	<u>44,651</u>	<u>6,600</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>54,851</u>
Net cash provided (used) by noncapital financing activities	<u>44,651</u>	<u>6,600</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>54,851</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(789,241)	4,602	-	(20,921)	-	(805,560)
Principal payment	(1,629,527)	(32,480)	-	-	-	(1,662,007)
Interfund loan repayment	-	-	-	-	-	-
Grants	-	-	-	242,459	-	242,459
Intergovernmental	-	-	-	608,552	-	608,552
Capital contributions	8,061	19,856	-	-	300	28,217
Other receipts	512,027	10,585	9,066	-	67	531,745
Interest and fiscal charges	(1,024,997)	(4,337)	-	-	-	(1,029,334)
Short-term borrowing	-	-	-	-	-	-
Lease payments	-	-	-	-	-	-
Bond issuance costs	(242,852)	-	-	-	-	(242,852)
Bond discount	86,837	-	-	-	-	86,837
Net cash provided (used) by capital and related financing activities	<u>(3,079,692)</u>	<u>(1,774)</u>	<u>9,066</u>	<u>830,090</u>	<u>367</u>	<u>(2,241,943)</u>
Cash flows from investing activities:						
Interest on investments	<u>(45,021)</u>	<u>2,166</u>	<u>456</u>	<u>2,585</u>	<u>476</u>	<u>(39,338)</u>
Net cash provided (used) by investing activities	<u>(45,021)</u>	<u>2,166</u>	<u>456</u>	<u>2,585</u>	<u>476</u>	<u>(39,338)</u>
Increase (decrease) in cash and cash equivalents	(1,049,451)	178,748	7,681	201,311	42,099	(619,612)
Cash and cash equivalents, July 1	<u>7,565,288</u>	<u>458,159</u>	<u>150,340</u>	<u>620,922</u>	<u>133,652</u>	<u>8,928,361</u>
Cash and cash equivalents, June 30	<u>\$ 6,515,837</u>	<u>\$ 636,907</u>	<u>\$ 158,021</u>	<u>\$ 822,233</u>	<u>\$ 175,751</u>	<u>\$ 8,308,749</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Operating income (loss)	\$ 756,944	\$ (105,362)	\$ (6,815)	\$ (701,679)	\$ (49,540)	\$ (106,452)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,218,345	277,603	2,658	70,195	92,859	1,661,660
Amortization	60,360	-	-	-	-	60,360
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	5,151	2,524	5,615	-	767	14,057
(Increase) decrease in other receivables	-	(12,901)	-	-	-	(12,901)
(Increase) decrease in due from other funds	-	2,418	2,862	-	444	5,724
(Increase) decrease in prepaids	(4,373)	(5,723)	(1,934)	(4,990)	(636)	(17,656)
Increase (decrease) in accounts payable	(2,532)	12,953	(4,658)	342	(2,666)	3,439
Increase (decrease) in due to other funds	(5,724)	-	-	-	-	(5,724)
Increase (decrease) in compensated absences	2,440	244	431	1,168	28	4,311
Net cash provided (used) by operating activities	<u>\$ 2,030,611</u>	<u>\$ 171,756</u>	<u>\$ (1,841)</u>	<u>\$ (634,964)</u>	<u>\$ 41,256</u>	<u>\$ 1,606,818</u>

**Reconciliation of Cash to Balance Sheet**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 5,714,613	\$ 636,907	\$ 158,021	\$ 822,233	\$ 175,751	\$ 7,507,525
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>731,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,518</u>
	<u>\$ 6,515,837</u>	<u>\$ 636,907</u>	<u>\$ 158,021</u>	<u>\$ 822,233</u>	<u>\$ 175,751</u>	<u>\$ 8,308,749</u>

The notes to the basic financial statements are an integral part of this statement.

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## FIDUCIARY FUNDS

**CITY OF CORCORAN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	Agency Funds	RDA Successor Agency Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 18,467	\$ 298,306
Cash with fiscal agent	-	313,008
Receivables:		
Interest	88	-
Notes	1,135,596	-
Capital assets, net	<u>-</u>	<u>3,419,552</u>
 Total assets	 <u>\$ 1,154,151</u>	 <u>\$ 4,030,866</u>
 <b>LIABILITIES</b>		
Due to City of Corcoran	\$ -	\$ 88,313
Bond payable	-	3,319,546
Due to other agencies	<u>1,154,151</u>	<u>-</u>
 Total liabilities	 <u>1,154,151</u>	 <u>3,407,859</u>
 <b>NET POSITION</b>		
Held in trust	<u>\$ -</u>	<u>\$ 623,007</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	RDA Successor Agency Trust Fund
<b>ADDITIONS</b>	
Taxes	\$ 796,989
Total additions	796,989
<b>DEDUCTIONS</b>	
Planning and community development	136,307
Depreciation	126,019
Amortization	12,161
Interest	166,668
Total deductions	441,155
Change in net position	355,834
Net position - beginning	267,173
Net position - ending	\$ 623,007

The notes to the basic financial statements are an integral part of this statement.

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## NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Corcoran (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the government's accounting principles are described below.

**Reporting Entity**

The City of Corcoran (the City) was incorporated on August 11, 1914, as a general law city. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: public safety (police), water utility, sanitation (solid waste disposal, sanitary wastewater and storm water utilities), parks and recreation, community development, public works, and general administrative services.

The accompanying basic financial statements include the financial activities of the City, the primary government, and its component unit, which is the Corcoran Public Financing Authority (the Authority). As further described in Note 16, the Redevelopment Agency was dissolved effective February 1, 2012. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, these financial statements present the City and its component unit (the Authority), an entity for which the City is considered to be financially accountable. The Authority, although a legally separate entity is, in substance, part of the City's operations. Further, the council has significant influence over the operations of the Authority and data from this component unit is combined with data of the primary government. The Authority has a June 30 year-end. No separate annual financial statements are prepared for the Authority.

**Blended Component Unit**

The ***Corcoran Joint Powers Finance Authority*** (the Authority) is a non-profit corporation incorporated under the laws of the State of California in 1987. The formation of the Authority creates a financing entity through which tax allocation revenue bonds can be issued for the purpose of financing or refinancing capital projects of the Community Redevelopment Agency as permitted by the Community Law. The City Council acts as the governing board of the Authority and is responsible for the Authority's fiscal and administrative activities. The funds of the Authority have been included in the governmental activities in the 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.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to/Due from Other Funds, Interfund Note Receivable/Interfund Long-term Debt, and Transfers In/Transfers Out.

*Fund Financial Statements* – The fund financial statements provide information about the City's funds. 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. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major governmental funds:

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Housing Authority Special Revenue Fund** is used to account for future financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.
- The **Community Development Block Grant Special Revenue Fund** is used to account for the federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate income residents.
- The **HOME Program Special Revenue Fund** is used to account for the federal grants that provide financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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

The City has five major enterprise funds, the Water, Sewer, Refuse, Transit, and Storm Drain, 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 financial activity of the water utility system.
- The **Sewer Fund** is used to account for the financial activity of the sewage collection and wastewater treatment utility system.
- The **Refuse Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.
- The **Transit Fund** is used to account for the financial activity of the transit activities including Dial-A-Ride, Amtrak ticket sales, and related street construction and maintenance.
- The **Storm Drain Fund** is used to account for the financial activity of the storm drain system.

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. The City uses an agency fund to account for assets held for, due to, and other. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present 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.

The City reports the following fiduciary funds:

- The **Assets Seizure (Unprocessed) Agency Fund** accounts for money that is seized as part of a police action and this money is used to help purchase fixed assets for the police department. Expenditures are limited to police-related activities.
- The **Kings County CDBG Agency Fund** accounts for Kings County Community Development Block Grants Program collections on notes receivable and remittance to Kings County.
- The **Corcoran Police Explorers Agency Fund** accounts for the moneys raised by the Police Explorers and the use of those funds.
- The **Successor Agency of the Redevelopment Agency Trust Fund** is used to account for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting**

*Government-Wide, Proprietary and Fiduciary Fund Financial Statements* – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*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 when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants, and subsidies, result from non-exchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

**Assets, Liabilities and Net Position**

**Cash and Cash Equivalents**

For the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when acquired as cash and cash equivalents.

All cash and cash equivalents of the enterprise funds are pooled with the City's pooled cash and cash equivalents.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Restricted Assets**

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. “Cash with fiscal agent” is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and enterprise funds, and for payment of construction projects undertaken by the City.

**Interfund Transactions**

Interfund transactions are reflected as loans, services provided or used, or reimbursements or transfers. Loans reported as receivables and payables as, appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the fund financial statements, and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**Receivables**

Enterprise fund receivables are shown net of an allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

**Property Tax Calendar**

Property taxes are assessed, collected and allocated by Kings County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1 <sup>st</sup> installment, February 1, 2 <sup>nd</sup> installment
Delinquent Dates	December 10, 1 <sup>st</sup> installment, April 10, 2 <sup>nd</sup> installment

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year-end.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as unearned revenue. Enterprise fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

The City accrues as receivable all property taxes received during the first (60) days of the new fiscal year.

**Discount on Bonds**

The City's bond or debt discounts are recorded as expenditures in the year they are incurred for governmental fund debt and are amortized over the life of the bond for debt service fund.

**Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$2,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	25-40 years
Infrastructures	5-20 years
Equipment	3-10 years
Vehicles	5-10 years
Utility system	30 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure acquired since the beginning of the 2003 fiscal year. The City made a decision not to capitalize infrastructure in place prior to the adoption of GASB 34.

The City defines infrastructure as capital assets that are stationery and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business.

**Risk Management**

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

**Property Held for Resale**

Property held for resale consists of parcels of land and improvements. The parcels are recorded at cost.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**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.

**Compensated Absences Payable**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The City limits accumulated vacation to 30 working days for employees and 45 working days for management. All outstanding vacation pay is payable upon termination of employment.

**Unearned Revenue**

Unearned revenue is that for which asset 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).

**Long-Term Debt**

In the government-wide and proprietary fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are expensed immediately.

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.

**Encumbrances**

The City does not use encumbrance accounting.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Budgetary and Budgetary Accounting**

Budgets are adopted annually for the general funds, special revenue funds, capital funds, debt service funds, and enterprise funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. All revisions must be reported to the City Council.

**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.

**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 represents 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. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

***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 resources are available, restricted resources are depleted first before the unrestricted resources are used.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position (Continued)**

**Fund Balance**

Fund Balance Classification: 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:

- Nondisposable: 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 Finance Director 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 any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

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.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Pronouncements**

***Government Accounting Standards Board Statement No. 69***

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

***Government Accounting Standards Board Statement No. 70***

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

**NOTE 2 – CASH AND INVESTMENTS**

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

**Summary of Deposits and Investments**

A reconciliation of the City's deposit and investment balances as of June 30, 2013 is as follows:

Cash on hand	\$	1,350
Deposits with financial institutions		1,348,196
Investments		<u>12,156,025</u>
 Total cash and investments	 \$	 <u><u>13,505,571</u></u>
 Government-Wide:		
Statement of Net Position:		
Cash and investments	\$	12,067,767
Cash with fiscal agent		808,024
Fiduciary Funds:		
Statement of Net Position:		
Cash and investments		<u>629,780</u>
 Total cash and investments	 \$	 <u><u>13,505,571</u></u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS**

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

Securities of the U.S. Government, or its agencies	Local agency investment fund deposits (state pool)
Certificates of deposit (or time deposits) placed with commercial banks and/or savings & loan companies	Passbook savings account demand deposits Small business administration loans
Negotiable certificates of deposit	Repurchase agreements
Bankers' acceptances	Reverse repurchase agreements
Commercial paper	

**Investments Authorized by the 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in On Issuer</u>
U.S. Treasury Bonds/Bills	None	None	None
U.S. Government Agency Bonds	None	None	None
Negotiable Certificates of Deposit	365 days	None	None
Time Certificates of Deposit	365 days	None	None
Banker's Acceptances	365 days	None	None
Commercial Paper	365 days	None	None
Money Market Fund	None	None	None

All City investment activities were within State statutes and the City's investment policy.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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 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.

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	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 11,678,730	\$ 11,678,730	\$ -	\$ -	\$ -
RMA investment pool	134,245	134,245	-	-	-
Held by bond trustee:					
Money market funds	<u>343,050</u>	<u>343,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,156,025</u>	<u>\$ 12,156,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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 (where applicable) by the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			AAA	Aaa-mf	Not Rated
State investment pool	\$ 11,678,730	\$ -	\$ -	\$ -	\$ 11,678,730
RMA investment pool	134,245	-	-	-	134,245
Held by bond trustee:					
Money market funds	<u>343,050</u>	<u>-</u>	<u>-</u>	<u>343,050</u>	<u>-</u>
Total	<u>\$ 12,156,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,050</u>	<u>\$ 11,812,975</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does 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.

**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 custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by 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.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments.

As of June 30, 2013, the carrying amount of the City's bank deposits was \$1,348,198, and the respective bank balances totaled \$951,554. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$1,098,198 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

**Local Agency Investment Fund**

The City participates in an external investment pool, as defined by the Government Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the City's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2013 balance was \$11,678,730. A breakdown of the investments included in the balance is not available at the balance sheet date.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2013 consisted of the following for the governmental funds:

	General Fund	Housing Authority Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Taxes	\$ 30,965	\$ -	\$ -	\$ -	\$ 193,877	\$ 224,842
Grants	-	-	144,867	-	-	144,867
Interest	791	69,501	112,411	494,867	1,573	679,143
Other	228,385	-	13,920	-	41,516	283,821
Notes	-	106,831	987,165	1,825,794	88,535	3,008,325
Receivables, net	<u>\$ 260,141</u>	<u>\$ 176,332</u>	<u>1,258,363</u>	<u>\$ 2,320,661</u>	<u>\$ 325,501</u>	<u>\$ 4,340,998</u>

Receivables as of June 30, 2013 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 710,150	\$ 207,905	\$ 302,820	\$ 608,136	\$ 62,363	\$ 1,891,374
Interest	3,308	403	90	389	103	4,293
Taxes	-	-	-	186,853	-	186,853
Other	18,020	12,901	1,058	-	-	31,979
Allowance for uncollectibles	<u>(32,287)</u>	<u>(8,906)</u>	<u>(13,627)</u>	<u>-</u>	<u>(1,895)</u>	<u>(56,715)</u>
Receivables, net	<u>\$ 699,191</u>	<u>\$ 212,303</u>	<u>\$ 290,341</u>	<u>\$ 795,378</u>	<u>\$ 60,571</u>	<u>\$ 2,057,784</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – INTERFUND TRANSACTIONS**

**Due To and Due From Other Funds**

Due to/from balances have primarily been recorded when funds overdraw their share of pooled cash. Activities within fund types have been eliminated within the government-wide financial statements.

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund	\$ 88,313	\$ -
<b>Enterprise Funds</b>		
Major Funds:		
Water Fund	-	49,266
Sewer Fund	20,815	-
Refuse Fund	24,633	-
Storm Drain Fund	3,818	-
<b>Fiduciary funds</b>	<u>-</u>	<u>88,313</u>
 Total	 <u>\$ 137,579</u>	 <u>\$ 137,579</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

**Long-Term Interfund Advances**

At June 30, 2013, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
<b>Enterprise Funds</b>		
Major Funds:		
Water Fund	\$ 373,900	\$ -
Storm Drain Fund	-	373,900
Total	\$ 373,900	\$ 373,900

**Transfers In and Transfers Out**

With the City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements.

Transfers in and transfers out consisted of the following as of June 30, 2013:

	Transfers In	Transfers Out
<b>Governmental Funds</b>		
Major Funds:		
General Fund	\$ 433,873	\$ 333,173
Transportation and Street Special Revenue Fund	250,965	185,705
Nonmajor Funds:		
Economic Development Loan Programs Special Revenue Fund	-	85,960
Public Safety Special Revenue Fund	-	80,000
Total	\$ 684,838	\$ 684,838

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – NOTES RECEIVABLE / UNAVAILABLE REVENUE**

Notes receivable consisted of the following as of June 30, 2013:

	Major Funds			Nonmajor Funds	Total
	Housing Authority Special Revenue Fund	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Fund	Economic Development Research Loan Program Special Revenue Fund	
Loans receivable under the Business Revolving Loan Program.	\$ -	\$ -	\$ -	\$ 88,535	\$ 88,535
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	106,831	987,165	-	-	1,093,996
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	-	1,825,794	-	1,825,794
Total notes receivable	<u>\$ 106,831</u>	<u>\$ 987,165</u>	<u>\$ 1,825,794</u>	<u>\$ 88,535</u>	<u>\$ 3,008,325</u>

Program disbursements are recorded as expenditures in the year the loans are made to participants even though the amounts will be recovered as the loans are repaid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year such payments are received. Loans recorded as receivable are “performing” loans with monthly/annual activity.

The deferred payment loan receivables under the Community Development Block Grant Programs, HOME Program, the State Deferred Loan Program, and Community Redevelopment Housing Set-Aside Funds are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time the full amount of the deferred loan is due. Deferred payment loans are “non-performing” loans and are not recorded as assets in the financial statements. Such loans totaled \$9,886,808 as of June 30, 2013.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 502,027	\$ -	\$ -	\$ 502,027
Construction in progress	675,295	-	(5,259)	670,036
Infrastructure in progress	15,706	99,320	-	115,026
	<u>1,193,028</u>	<u>99,320</u>	<u>(5,259)</u>	<u>1,287,089</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and other improvements	6,556,142	53,064	-	6,609,206
Machinery and equipment	2,084,949	8,129	(17,545)	2,075,533
Infrastructure	6,228,746	-	5,259	6,234,005
Vehicles	1,095,212	88,530	(188,657)	995,085
	<u>15,965,049</u>	<u>149,723</u>	<u>(200,943)</u>	<u>15,913,829</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and other improvements	(2,281,790)	(215,488)	-	(2,497,278)
Machinery and equipment	(1,620,089)	(132,868)	17,545	(1,735,412)
Infrastructure	(659,394)	(156,688)	-	(816,082)
Vehicles	(914,274)	(38,968)	165,217	(788,025)
	<u>(5,475,547)</u>	<u>(544,012)</u>	<u>182,762</u>	<u>(5,836,797)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>10,489,502</u>	<u>(394,289)</u>	<u>(18,181)</u>	<u>10,077,032</u>
Governmental activities capital assets, net	<u>\$ 11,682,530</u>	<u>\$ (294,969)</u>	<u>\$ (23,440)</u>	<u>\$ 11,364,121</u>

Depreciation expense on capital assets was charged to the governmental functions as follows:

<b>Governmental Activities:</b>	
General government	\$ 126,790
Community development	3,811
Public safety	124,403
Public works	187,677
Parks and recreation	101,331
	<u>544,012</u>
Total	<u>\$ 544,012</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 6 – CAPITAL ASSETS (Continued)**

Capital assets activity of the business-type activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	<u>107,975</u>	<u>760,762</u>	<u>-</u>	<u>868,737</u>
Total capital assets not being depreciated	<u>1,093,958</u>	<u>760,762</u>	<u>-</u>	<u>1,854,720</u>
Capital assets being depreciated:				
Utility systems	45,136,009	32,325	-	45,168,334
Machinery and equipment	1,483,892	33,306	(6,078)	1,511,120
Vehicles	<u>1,525,759</u>	<u>11,285</u>	<u>(70,019)</u>	<u>1,467,025</u>
Total capital assets being depreciated	<u>48,145,660</u>	<u>76,916</u>	<u>(76,097)</u>	<u>48,146,479</u>
Less accumulated depreciation for:				
Utility systems	(17,654,191)	(1,315,596)	-	(18,969,787)
Machinery and equipment	(826,661)	(108,230)	3,039	(931,852)
Vehicles	<u>(1,339,820)</u>	<u>(52,304)</u>	<u>37,901</u>	<u>(1,354,223)</u>
Total accumulated depreciation	<u>(19,820,672)</u>	<u>(1,476,130)</u>	<u>40,940</u>	<u>(21,255,862)</u>
Total capital assets being depreciated, net	<u>28,324,988</u>	<u>(1,399,214)</u>	<u>(35,157)</u>	<u>26,890,617</u>
Business-type activities capital assets, net	<u>\$ 29,418,946</u>	<u>\$ (638,452)</u>	<u>\$ (35,157)</u>	<u>\$ 28,745,337</u>

Depreciation expense was charged to business-type functions as follows:

<b>Business-Type Activities:</b>	
Water	\$ 1,035,853
Sewer	274,564
Refuse	2,659
Transit	70,195
Storm Drain	<u>92,859</u>
Total	<u>\$ 1,476,130</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 – COMPENSATED ABSENCES**

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$221,001 for governmental activities and \$6,319 for business-type activities at June 30, 2013, is expected to be paid in future years from future resources.

Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity of compensated absences has not been presented. At June 30, 2013, the balance is \$423,147 for governmental activities, and \$33,745 for the business-type activities.

	Balance July 1, 2012	Incurred	Satisfied	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Governmental Activities:</b>						
Compensated absences	\$ 366,860	\$ 200,495	\$ (144,208)	\$ 423,147	\$ 202,146	\$ 221,001
<b>Business-Type Activities:</b>						
Compensated absences	\$ 29,432	\$ 42,213	\$ (37,900)	\$ 33,745	\$ 27,426	\$ 6,319

**NOTE 8 – LONG-TERM DEBT**

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2013:

	Balance July 1, 2012	Incurred or Issued	Satisfied or Matured	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Governmental Activities:</b>						
Certificates of participation	\$ 300,000	\$ -	\$ (50,000)	\$ 250,000	\$ 50,000	\$ 200,000
Total governmental activities	\$ 300,000	\$ -	\$ (50,000)	\$ 250,000	\$ 50,000	\$ 200,000

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 8 – LONG-TERM DEBT (Continued)**

***Certificates of Participation***

The Certificates of Participation were issued on April 15, 1993, by Corcoran Joint Powers Finance Authority (CJPFA) at an interest rate of 8.75% to finance the acquisition of land and construction of a storm drainage system. The Certificates of Participation mature on June 1, 2016. The Certificates of Participation are secured by annual base rental lease payments payable by the City for use of the storm drainage system. The CJPFA was required under the terms of the trust agreement to deposit \$76,000 into a reserve fund.

Fiscal Years Ending	1992 Certificates of Participation		
	Principal	Interest	Total
2014	\$ 50,000	\$ 20,781	\$ 70,781
2015	60,000	16,187	76,187
2016	<u>140,000</u>	<u>10,937</u>	<u>150,937</u>
Totals	<u>\$ 250,000</u>	<u>\$ 47,905</u>	<u>\$ 297,905</u>

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2013:

	Balance July 1, 2012	Incurred or Issued	Satisfied or Matured	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Business-Type Activities:</b>						
Davis-Grunsky Loan (Water Fund)	\$ 447,024	\$ -	\$ (59,527)	\$ 387,497	\$ 61,111	\$ 326,386
2003 Certificates of Participation	5,020,000	-	(5,020,000)	-	-	-
2003 Certificates of Participation - Unamortized Bond Discounts	(64,094)	-	64,094	-	-	-
2008 Certificates of Participation	19,065,000	-	(1,385,000)	17,680,000	415,000	17,265,000
2008 Certificates of Participation - Deferred Refunding	(377,576) <sup>(1)</sup>	-	16,417	(361,160)	-	(361,160)
2008 Bond Discount	(140,406)	-	6,327	(134,079)	-	(134,079)
State Water Quality Control Fund Loans (Sewer Fund)	107,288	-	(32,480)	74,808	33,649	41,159
2012 A Bonds	<u>-</u>	<u>4,835,000</u>	<u>-</u>	<u>4,835,000</u>	<u>185,000</u>	<u>4,650,000</u>
Total business-type activities	<u>\$ 24,057,236</u>	<u>\$ 4,835,000</u>	<u>\$ (6,410,169)</u>	<u>\$ 22,482,066</u>	<u>\$ 694,760</u>	<u>\$ 21,787,306</u>

<sup>(1)</sup> 1,031,721 Prior year balance  
(654,145) Adjustment related to GASB 65  
377,576

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 – LONG-TERM DEBT (Continued)**

***Notes Payable***

Davis-Grunsky Loan (Water Fund)

The Davis-Grunsky Contract D-GLC43 payable to the State of California, Department of Water Resources was for improvements made in fiscal year 1976 to the City's water system. The loan is to be repaid in annual payments of approximately \$70,000, including interest at 2.5% through fiscal year 2019. Under terms of the loan, the City was required to establish a reserve of \$69,706 in the City's Water Fund.

<u>Fiscal Years Ending</u>	<u>Davis-Grunsky Loan (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 61,111	\$ 8,278	\$ 69,389
2015	62,497	6,847	69,344
2016	63,883	5,382	69,265
2017	65,269	3,883	69,152
2018	66,655	2,348	69,003
2019	<u>68,042</u>	<u>786</u>	<u>68,828</u>
Totals	<u>\$ 387,457</u>	<u>\$ 27,524</u>	<u>\$ 414,981</u>

State Water Quality Control Fund Loans (Sewer Fund)

The State Water Quality Control Fund has two loans with the City of \$568,192 and \$200,000. The larger loan is payable in annual installments of \$36,342 including interest at 3.6%. The final payment of \$6,342 is due July 2016. The smaller loan is payable in annual installments of \$14,200, including interest at 3.6%. The final payment is due February 2016.

<u>Fiscal Years Ending</u>	<u>State Water Quality Control Fund Loans (Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 33,649	\$ 2,693	\$ 36,342
2015	34,860	1,482	36,342
2016	<u>6,299</u>	<u>43</u>	<u>6,342</u>
Totals	<u>\$ 74,808</u>	<u>\$ 4,218</u>	<u>\$ 79,026</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 8 – LONG-TERM DEBT (Continued)**

2003 Certificates of Participation (Water Fund)

The 2003 Certificates of Participation (Water Fund) was issued on July 1, 2003, in the amount of \$5,915,000. These Certificates paid off the existing Farmers Home Administration Loan and also provided for the construction and acquisition of capital improvements to the City’s municipal water system. Certificates authorized and issued have interest rates ranging from 2.00% to 4.25% and mature July 1, 2035. The outstanding principal amount of \$5,020,000 for the 2003 Certificates of Participation was paid off in September 2012.

2008 Certificates of Participation (Water Fund)

The 2008 Certificates of Participation (Water Fund) were issued on March 27, 2008, in the amount of \$19,900,000. These certificates provided for the refunding of the 2005 Certificates of Participation (Water System Project). Certificates authorized and issued have a variable rate of interest reset each Wednesday and mature July 1, 2036.

The 2008 Certificates of Participation (Water Fund) were restructured in September 2012. The Reserve Fund was eliminated and outstanding debt was reduced by \$940,000. The synthetic fixed rate structure of the bonds was maintained and the underlying letter of credit with Union Bank was renewed through 2016. The estimated savings in debt service over the life of the bonds is \$2.3 million based on an average interest rate of 4.70%.

<u>Fiscal Years Ending</u>	<u>2008 Certificates of Participation (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 415,000	\$ 657,696	\$ 1,072,696
2015	430,000	642,258	1,072,258
2016	450,000	626,262	1,076,262
2017	475,000	609,522	1,084,522
2018	495,000	591,852	1,086,852
2019-2023	2,855,000	2,664,450	5,519,450
2024-2028	3,590,000	2,081,154	5,671,154
2029-2033	4,525,000	1,347,198	5,872,198
2034-2037	<u>4,445,000</u>	<u>422,964</u>	<u>4,867,964</u>
Totals	<u>\$ 17,680,000</u>	<u>\$ 9,643,356</u>	<u>\$ 27,323,356</u>

Note: Assumes 3.72% interest rate and does not include Letter of Credit or remarketing fees.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 8 – LONG-TERM DEBT (Continued)**

2008 Certificates of Participation (Water Fund) (Continued)

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in October 2005, the City entered into an interest rate swap in connection with the issuance of the \$21.9 million 2005 Certificates of Participation. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.655 percent (exclusive of remarketing fees). The swap agreement was continued as part of the 2008 refunding COPs.

*Terms.* Under the swap, the City pays the counterparty, Piper Jaffray Financial Products Inc. ("the Counterparty") a fixed payment based upon a negotiated rate of 3.673% and receives a variable payment computed as 63% of the London Interbank Offered Rate (LIBOR) plus 30 basis points (.30%). The amount that the City receives under the swap agreement is structured to equal the amount that it pays on its Certificates, thus cancelling each other out and leaving the fixed rate portion amount to be paid under the swap as the net overall payment. The City also pays a letter of credit and remarketing fees on the variable rate bonds (totaling .50% annually). The swap has a notional amount of \$19.9 million and the associated variable-rate bond has a \$19.9 million principal amount. Starting in 2008, the notional value of the swap and the principal amount of the associated debt decline until the debt is completely retired in 2036. The bonds and the related swap agreement will mature on July 1, 2036.

*Fair Value.* The Counterparty informed the City that as of June 30, 2013, the swap had a fair value of (\$3,037,308). The Counterparty states that the valuation is based on a proprietary model.

*Credit Risk.* As of June 30, 2013, the City was not exposed to credit risk because the swap had a net negative fair value. This negative amount may increase if interest rates decrease in the future. However, if interest rates increase and the fair value of the swap become positive, the City will be exposed to credit risk, to a maximum possible loss equivalent to the swap's fair value. The swap Counterparty was rated AA by Standard & Poor's on October 1, 2005. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below the AA rating, the fair value of the swap will be fully collateralized by the Counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

*Basis Risk.* Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the Counterparty. The City bears basis risk on its swap. The swap has basis risk since the City receives a percentage of LIBOR to offset the actual variable bond rate the City pays on its bonds. The City is exposed to basis risk should the floating rate that it receives on the swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected costs of the basis risk may vary.

*Termination Risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the City if the Counterparty's credit quality rating falls below "A-" as issued by Fitch Ratings or Standard & Poor's or "A3" as issued by Moody's Investors Service. The City and the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City, if it was the defaulting party under the terms of the swap, would be liable to the Counterparty for a payment equal to the swap's fair value.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 8 – LONG-TERM DEBT (Continued)**

The 2012A Water Revenue Refunding Bonds

The 2012A Water Revenue Refunding Bonds were issued September 26, 2012. These bonds provided for the refunding of the 2003 Certificates of Participations that were issued on July 1, 2003. The City is not funding a debt service reserve account for these bonds. Certificates authorized and issued have interest rates ranging from 3.00% to 4.00% and mature July 1, 2035.

Fiscal Years Ending	2012A Water Revenue Refunding Bonds		
	Principal	Interest	Total
2014	\$ 185,000	\$ 124,581	\$ 309,581
2015	150,000	157,538	307,538
2016	155,000	153,038	308,038
2017	160,000	148,388	308,388
2018	165,000	143,588	308,588
2019-2022	710,000	523,350	1,233,350
2023-2027	1,005,000	527,175	1,532,175
2028-2032	1,185,000	349,669	1,534,669
2033-2036	<u>1,120,000</u>	<u>111,963</u>	<u>1,231,963</u>
Totals	<u>\$ 4,835,000</u>	<u>\$ 2,239,287</u>	<u>\$ 7,074,287</u>

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* as of June 30, 2013.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 one item to report in this category, which is \$3,037,308 related to a derivative instrument – interest rate swap.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)**

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 only two types, derivative instrument - interest rate swap and unavailable revenues. The City reports \$3,037,308 related to a derivative instrument - interest rate swap. The unavailable revenues arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Housing Authority Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Loans	\$ -	\$ 176,325	\$ 1,099,469	\$ 2,320,588	\$ 88,766	\$ 3,685,148
Intergovernmental revenue	16,887	-	144,867	-	-	161,754
Miscellaneous revenue	-	-	13,872	-	26,245	40,117
	<u>\$ 16,887</u>	<u>\$ 176,325</u>	<u>\$ 1,258,208</u>	<u>\$ 2,320,588</u>	<u>\$ 115,011</u>	<u>\$ 3,887,019</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

Plan Description

The City's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous and Safety Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 7 percent of their annual covered salary, respectively. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 32.116% and 10.116% for public safety and miscellaneous employees, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Therefore, a rate of zero is charged for the first \$133.33 per month.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)**

Annual Pension Cost and Net Pension Obligation

For the fiscal year 2012/2013, the City's combined annual pension cost of \$618,198 was equal to the annual requirement contribution. The current year's required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 13.15% for members of both plans; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Miscellaneous and Safety Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five-year period depending on the size of investment gains and/or losses. The Miscellaneous and Safety Plans' unfunded actuarial liabilities are being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period of June 30, 2013 was 13 years.

The City's annual pension costs (APC) and net pension obligation as of and for the year ended June 30, 2013 were as follows:

Fiscal Years Ending	Annual Pension Costs (APC)	Percent of APC Contributed	Net Pension Obligation
<u>Miscellaneous Plan</u>			
6/30/2010	\$ 217,257	100%	\$ -
6/30/2011	\$ 330,301	100%	\$ -
6/30/2012	\$ 228,474	100%	\$ -
<u>Safety Plan</u>			
6/30/2010	\$ 330,201	100%	\$ -
6/30/2011	\$ 490,370	100%	\$ -
6/30/2012	\$ 389,724	100%	\$ -

Funded Status and Progress

The funded status of each plan as of the most recent actuarial valuation date presented below related to the plan as a whole, of which the City is one participating employer.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
6/30/2012						
Miscellaneous	\$ 4,175,139,166	\$ 3,686,598,343	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%
Safety	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 11 – RISK MANAGEMENT**

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000 and worker's compensation losses under \$100,000. The CSJVRMA participates in an excess pool which provides worker's compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

At the termination of the joint venture agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2013:

Total assets	\$ 82,190,005
Total liabilities	<u>66,304,596</u>
Member's equity	<u>\$ 15,885,409</u>
Total revenues	\$ 30,744,973
Total expenses	<u>27,142,583</u>
Excess of expenses (loss) over income	<u>\$ 3,602,390</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**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 participates in grant programs which are governed by various rules and regulation of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to the compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 13 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations**

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2013:

General Fund:

Current:

Parks and recreation \$11,806

Capital outlay:

General government \$8,198

Other financing sources (uses):

Transfers out \$33,173

Community Development Block Grant Special Revenue Fund:

Other financing sources (uses):

Transfers out \$185,704

Housing Authority Special Revenue Fund:

Current:

Community development \$1,227,413

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

**Deficit Fund Balance**

The Housing Authority fund had a negative fund balance; however, the deficit was covered by available fund balance in the General Fund.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 14 – SEGMENT INFORMATION**

Segment information for the Water Fund for the year ended June 30, 2013 is as follows:

	<b>Water Fund</b>
<b>CONDENSED STATEMENT OF NET POSITION</b>	
Assets:	
Current assets	\$ 7,219,401
Noncurrent assets	23,566,426
Total assets	30,785,827
Liabilities:	
Current liabilities	1,126,654
Noncurrent liabilities	21,752,466
Total liabilities	22,879,120
Net Position:	
Net investment in capital assets	785,268
Restricted	801,224
Unrestricted	6,320,215
Total net position	\$ 7,906,707
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	
Operating revenues	\$ 4,465,387
Depreciation expenses	(1,278,705)
Other operating expenses	(2,429,738)
Operating income (loss)	756,944
Nonoperating revenues (expenses):	
Other nonoperating revenue	582,727
Investment income	(45,600)
Interest expense	(945,466)
Total nonoperating revenues (expenses)	(408,339)
Changes in net position	348,605
Beginning net position	8,362,977
Prior period adjustment	(804,875)
Ending net position	\$ 7,906,707
<b>CONDENSED STATEMENT OF CASH FLOWS</b>	
Net cash provided (used) by:	
Operating activities	\$ 2,030,611
Noncapital financing activities	44,651
Capital and related financing activities	(3,079,692)
Investing activities	(45,021)
Net increase (decrease) in cash and cash equivalents	(1,049,451)
Beginning cash and cash equivalents	7,565,288
Ending cash and cash equivalents	\$ 6,515,837

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

During the current year the following prior period adjustments were recorded:

Governmental Activities

The beginning net position in governmental activities was overstated by \$30,894 due to the overstatement of capital assets of \$24,715 and overstatement of revenues of \$6,179 in fiscal year 2012. To correct these errors, beginning net position in the Governmental Activities was decreased by \$30,894.

Governmental Funds

The beginning fund balance in the General Fund was overstated by \$6,179 due to overstatement of revenues. To correct these errors, beginning net position in the Governmental Activities was decreased by \$6,179.

Enterprise Funds

The beginning net position in the Water Enterprise Fund was reduced by \$804,875 as a result of implementation of GASB Statement No. 65 to eliminate bond issuance costs.

**NOTE 16 – SUCCESSOR AGENCY 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.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably for the City.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

***Cash***

A reconciliation of the Successor Agency Trust Fund's cash balances as of June 30, 2013 is as follows:

Cash on hand	\$ 298,306
Cash with fiscal agent	<u>313,008</u>
Total cash	<u>\$ 611,314</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)**

**Capital Assets**

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2013 is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 25,400	\$ -	\$ -	\$ 25,400
Total capital assets not being depreciated	<u>25,400</u>	<u>-</u>	<u>-</u>	<u>25,400</u>
Capital assets being depreciated:				
Buildings and other improvements	3,352,185	-	-	3,352,185
Infrastructure	<u>1,666,725</u>	<u>-</u>	<u>-</u>	<u>1,666,725</u>
Total capital assets being depreciated	<u>5,018,910</u>	<u>-</u>	<u>-</u>	<u>5,018,910</u>
Less accumulated depreciation for:				
Buildings and other improvements	(1,183,639)	(84,351)	-	(1,267,990)
Infrastructure	<u>(315,100)</u>	<u>(41,668)</u>	<u>-</u>	<u>(356,768)</u>
Total accumulated depreciation	<u>(1,498,739)</u>	<u>(126,019)</u>	<u>-</u>	<u>(1,624,758)</u>
Total capital assets being depreciated, net	<u>3,520,171</u>	<u>(126,019)</u>	<u>-</u>	<u>3,394,152</u>
Governmental activities capital assets, net	<u>\$ 3,545,571</u>	<u>\$ (126,019)</u>	<u>\$ -</u>	<u>\$ 3,419,552</u>

**Long-term Debt**

The following is a summary of long-term obligation transactions for the Successor Agency Trust Fund at June 30, 2013:

	Balance 7/1/2012	Incurred or Issued	Satisfied or Matured	Balance 6/30/2013	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 3,780,000	\$ -	\$ (200,000)	\$ 3,580,000	\$ 205,000	\$ 3,375,000
Bond Discount	<u>(272,615)</u>	<u>-</u>	<u>12,161</u>	<u>(260,454)</u>	<u>-</u>	<u>(260,454)</u>
Total	<u>\$ 3,507,385</u>	<u>\$ -</u>	<u>\$ (187,839)</u>	<u>\$ 3,319,546</u>	<u>\$ 205,000</u>	<u>\$ 3,114,546</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)**

2004 Tax Allocation Bonds

The 2004 Tax Allocation Refunding Bonds were issued on November 1, 2004, by the Community Redevelopment Agency to refund the Tax Allocation Refunding Bonds, Series 1994 issued by the Agency. Bonds authorized and issued have interest ranging from 1.9% to 5.0% and mature December 1, 2034.

Annual debt service requirements to maturity for the 2004 Tax Allocation Bonds are as follows:

<u>Fiscal Years Ending</u>	<u>2004 Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 205,000	\$ 162,918	\$ 367,918
2015	215,000	154,718	369,718
2016	220,000	146,117	366,117
2017	230,000	137,208	367,208
2018	240,000	127,548	367,548
2019-2022	1,070,000	399,861	1,469,861
2023-2027	600,000	265,410	865,410
2028-2032	465,000	154,985	619,985
2033-2035	<u>335,000</u>	<u>34,250</u>	<u>369,250</u>
Totals	<u>\$ 3,580,000</u>	<u>\$ 1,583,014</u>	<u>\$ 5,163,014</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

Both of the City's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, are cost-sharing multiple employer defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The information presented below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the City is one participating employer.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as of % of Covered Payroll</u>
Miscellaneous:						
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/2012	\$ 4,175,139,166	\$ 3,686,598,343	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%
Safety:						
6/30/2010	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,892,222	126.7%
6/30/2012	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%

**CITY OF CORCORAN**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 287,262	\$ 287,262	\$ 588,939	\$ 301,677
Other taxes	1,473,289	1,473,289	1,435,075	(38,214)
Licenses and permits	93,600	93,600	109,395	15,795
Intergovernmental revenues	2,218,506	2,218,506	2,226,872	8,366
Charges for services	57,693	57,693	78,171	20,478
Fines and penalties	45,000	45,000	26,544	(18,456)
Use of money and property	-	-	441,205	441,205
Grant drawdowns	-	-	41,395	41,395
Miscellaneous	-	-	96,914	96,914
Total revenues	<u>4,175,350</u>	<u>4,175,350</u>	<u>5,044,510</u>	<u>869,160</u>
<b>EXPENDITURES</b>				
Current:				
General government	936,201	936,201	640,069	296,132
Public safety	3,936,639	3,936,639	3,623,763	312,876
Public works	231,624	231,624	230,247	1,377
Parks and recreation	299,087	299,087	310,893	(11,806)
Capital outlay:				
General government	-	-	8,198	(8,198)
Public safety	-	-	3,097	(3,097)
Total expenditures	<u>5,403,551</u>	<u>5,403,551</u>	<u>4,816,267</u>	<u>587,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,228,201)</u>	<u>(1,228,201)</u>	<u>228,243</u>	<u>1,456,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	(506,000)	(506,000)	433,873	939,873
Operating transfers out	(506,000)	(300,000)	(333,173)	(33,173)
Total other financing sources (uses)	<u>(1,012,000)</u>	<u>(806,000)</u>	<u>100,700</u>	<u>906,700</u>
Net change in fund balances	<u>(2,240,201)</u>	<u>(2,034,201)</u>	<u>328,943</u>	<u>2,363,144</u>
Fund balances - beginning	4,019,651	4,019,651	4,019,651	-
Prior period adjustment	(6,179)	(6,179)	(6,179)	-
Fund balances - beginning, as restated	<u>4,013,472</u>	<u>4,013,472</u>	<u>4,013,472</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,773,271</u>	<u>\$ 1,979,271</u>	<u>\$ 4,342,415</u>	<u>\$ 2,363,144</u>

**CITY OF CORCORAN**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 137	\$ 137
Grant drawdowns	354,900	354,900	249,080	(105,820)
Loan repayments	90,882	90,882	158,000	67,118
Miscellaneous	<u>-</u>	<u>-</u>	<u>15,919</u>	<u>15,919</u>
Total revenues	<u>445,782</u>	<u>445,782</u>	<u>423,136</u>	<u>(22,646)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>523,784</u>	<u>523,784</u>	<u>380,560</u>	<u>143,224</u>
Total expenditures	<u>523,784</u>	<u>523,784</u>	<u>380,560</u>	<u>143,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,002)</u>	<u>(78,002)</u>	<u>42,576</u>	<u>120,578</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	250,965	250,965
Operating transfers out	<u>-</u>	<u>-</u>	<u>(185,705)</u>	<u>(185,705)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>65,260</u>	<u>65,260</u>
Net change in fund balances	(78,002)	(78,002)	107,836	185,838
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>19,481</u>	<u>19,481</u>
Fund balances - ending	<u>\$ (78,002)</u>	<u>\$ (78,002)</u>	<u>\$ 127,317</u>	<u>\$ 205,319</u>

**CITY OF CORCORAN**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**HOME PROGRAM SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 692	\$ 692
Grant drawdowns	317,317	317,317	312,463	(4,854)
Loan repayments	135,510	135,510	133,212	(2,298)
Miscellaneous	<u>-</u>	<u>-</u>	<u>32,130</u>	<u>32,130</u>
Total revenues	<u>452,827</u>	<u>452,827</u>	<u>478,497</u>	<u>25,670</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>1,432,938</u>	<u>1,432,938</u>	<u>319,218</u>	<u>1,113,720</u>
Total expenditures	<u>1,432,938</u>	<u>1,432,938</u>	<u>319,218</u>	<u>1,113,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(980,111)</u>	<u>(980,111)</u>	<u>159,279</u>	<u>1,139,390</u>
Net change in fund balances	(980,111)	(980,111)	159,279	1,139,390
Fund balances - beginning	<u>33,246</u>	<u>33,246</u>	<u>33,246</u>	<u>-</u>
Fund balances - ending	<u>\$ (946,865)</u>	<u>\$ (946,865)</u>	<u>\$ 192,525</u>	<u>\$ 1,139,390</u>

**CITY OF CORCORAN**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - BUDGETARY INFORMATION**

The City follows the following procedures, annually, in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
  - a. Items requiring City Council action – appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
  - b. Items delegated to the City Manager – transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
  - c. Items delegated to the department head – allocation of departmental appropriations to line item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue, and enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department”. A “department” for legal appropriation purposes may be a single organization or an entire department having multiple organizations within the same fund, or an entire fund.

## OTHER SUPPLEMENTARY INFORMATION

## NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The City maintains five nonmajor special revenue funds.

The **Public Safety Fund** is used to account for grant funds received for supplemental public safety expenditures, adjudicated cash and other assets seized from drug arrests that are available for police department enhancements and revenues and expenditures related to a rail spur study.

The **Parks Capital Fund** is used to account for residential development tax funds that are restricted to acquisition, improvement and expansion of public park, playground and recreation facilities.

The **Transportation and Street Special Revenue Fund** is to account for sales tax restricted to transportation uses, revenues apportioned under the Streets and Highway Code, Sections 2105, 2106, 2107 and 2107.5 of the State of California, State funds apportioned under the Surface Transportation Program, State grant funds apportioned under the Traffic Congestion Relief Program, and federal funds apportioned under the Federal Aid Urban Grant. The City uses these funds for Dial-A-Ride/Amtrak Ticket transportation programs and for expenditures related to street construction and maintenance.

The **Economic Development Loan Programs Fund** is used to account for the Business Loan Program that provides loans to local businesses unable to obtain other financing.

The **Assessment Districts** are used to account for two landscape and lighting districts that were established for subdivisions to provide for the maintenance to turf areas, shrubs, trees, and irrigations systems and walls.

The **Debt Service Funds** are used to account for the accumulation of resources for the payment of principal and interest on general debt of the City.

The **Corcoran Joint Powers Finance Authority Fund** is used to account for the repayment of debt issued by the Corcoran Joint Powers Finance Authority.

**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments:			
Unrestricted	\$ 2,193,410	\$ 10,218	\$ 2,203,628
Cash with fiscal agent:			
Restricted	-	76,506	76,506
Receivables	325,501	-	325,501
Prepaid expenses	<u>4,794</u>	<u>-</u>	<u>4,794</u>
 Total assets	 <u>\$ 2,523,705</u>	 <u>\$ 86,724</u>	 <u>\$ 2,610,429</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 27,358</u>	<u>\$ -</u>	<u>\$ 27,358</u>
 Total liabilities	 <u>27,358</u>	 <u>-</u>	 <u>27,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	<u>115,011</u>	<u>-</u>	<u>115,011</u>
 Total deferred inflows of resources	 <u>115,011</u>	 <u>-</u>	 <u>115,011</u>
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	86,724	86,724
Community development	3	-	3
Public safety	176,249	-	176,249
Transportation and street	2,158,959	-	2,158,959
Parks and recreation	49,977	-	49,977
Unassigned	<u>(3,852)</u>	<u>-</u>	<u>(3,852)</u>
 Total fund balances	 <u>2,381,336</u>	 <u>86,724</u>	 <u>2,468,060</u>
 Total liabilities and fund balances	 <u>\$ 2,523,705</u>	 <u>\$ 86,724</u>	 <u>\$ 2,610,429</u>

**CITY OF CORCORAN  
COMBINING STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 9,204	\$ -	\$ 9,204
Use of money and property	6,178	75,204	81,382
Fines and penalties	1,091	-	1,091
Intergovernmental revenues	714,245	-	714,245
Grant drawdowns	178,782	-	178,782
Repayment of loans	11,592	-	11,592
Miscellaneous	<u>37,483</u>	<u>-</u>	<u>37,483</u>
Total revenues	<u>958,575</u>	<u>75,204</u>	<u>1,033,779</u>
<b>EXPENDITURES</b>			
Current services:			
General government	11,606	2,381	13,987
Community development	1,440	-	1,440
Parks and recreation	41,659	-	41,659
Public works	524,377	-	524,377
Public safety	62,721	-	62,721
Capital outlay:			
Public works	102,134	-	102,134
Public safety	85,434	-	85,434
Parks and recreation	12,788	-	12,788
Debt service:			
Principal retirement	-	50,000	50,000
Interest and fiscal charges	<u>-</u>	<u>25,156</u>	<u>25,156</u>
Total expenditures	<u>842,159</u>	<u>77,537</u>	<u>919,696</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,416</u>	<u>(2,333)</u>	<u>114,083</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	<u>(165,960)</u>	<u>-</u>	<u>(165,960)</u>
Total other financing sources (uses)	<u>(165,960)</u>	<u>-</u>	<u>(165,960)</u>
Net change in fund balances	(49,544)	(2,333)	(51,877)
Fund balances - beginning	<u>2,430,880</u>	<u>89,057</u>	<u>2,519,937</u>
Fund balances - ending	<u>\$ 2,381,336</u>	<u>\$ 86,724</u>	<u>\$ 2,468,060</u>

**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	Public Safety	Parks Capital	Transportation and Street Special Revenue Fund	Economic Development Loan Programs	Assessment Districts	Totals
<b>ASSETS</b>						
Cash and investments:						
Unrestricted	\$ 177,577	\$ 50,510	\$ 1,967,583	\$ (6)	\$ (2,254)	\$ 2,193,410
Receivables	26,346	29	209,587	88,775	764	325,501
Prepaid expenses	-	-	4,794	-	-	4,794
Total assets	<u>\$ 203,923</u>	<u>\$ 50,539</u>	<u>\$ 2,181,964</u>	<u>\$ 88,769</u>	<u>\$ (1,490)</u>	<u>\$ 2,523,705</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,429	\$ 562	\$ 23,005	-	\$ 2,362	\$ 27,358
Total liabilities	<u>1,429</u>	<u>562</u>	<u>23,005</u>	<u>-</u>	<u>2,362</u>	<u>27,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	26,245	-	-	88,766	-	115,011
Total deferred inflows of resources	<u>26,245</u>	<u>-</u>	<u>-</u>	<u>88,766</u>	<u>-</u>	<u>115,011</u>
<b>FUND BALANCES</b>						
Restricted for:						
Community development	-	-	-	3	-	3
Public safety	176,249	-	-	-	-	176,249
Transportation and street	-	-	2,158,959	-	-	2,158,959
Parks and recreation	-	49,977	-	-	-	49,977
Unassigned	-	-	-	-	(3,852)	(3,852)
Total fund balances	<u>176,249</u>	<u>49,977</u>	<u>2,158,959</u>	<u>3</u>	<u>(3,852)</u>	<u>2,381,336</u>
Total liabilities and fund balances	<u>\$ 203,923</u>	<u>\$ 50,539</u>	<u>\$ 2,181,964</u>	<u>\$ 88,769</u>	<u>\$ (1,490)</u>	<u>\$ 2,523,705</u>

**CITY OF CORCORAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Public Safety	Parks Capital	Transportation and Street Special Revenue Fund	Economic Development Loan Programs	Assessment Districts	Totals
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,204	\$ 9,204
Intergovernmental revenues	-	2,377	711,868	-	-	714,245
Fines and penalties	-	-	1,091	-	-	1,091
Use of money and property	1,252	213	4,549	164	-	6,178
Grant drawdowns	80,301	-	98,481	-	-	178,782
Repayment of loans	-	-	-	11,592	-	11,592
Miscellaneous	21,894	100	15,489	-	-	37,483
<b>Total revenues</b>	<b>103,447</b>	<b>2,690</b>	<b>831,478</b>	<b>11,756</b>	<b>9,204</b>	<b>958,575</b>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	11,606	11,606
Community development	-	-	-	-	1,440	1,440
Public safety	62,721	-	-	-	-	62,721
Public works	-	-	524,377	-	-	524,377
Parks and recreation	-	41,659	-	-	-	41,659
Capital outlay:						
Public safety	85,434	-	-	-	-	85,434
Public works	-	-	102,134	-	-	102,134
Parks and recreation	-	12,788	-	-	-	12,788
<b>Total expenditures</b>	<b>148,155</b>	<b>54,447</b>	<b>626,511</b>	<b>-</b>	<b>13,046</b>	<b>842,159</b>
Excess (deficiency) of revenues over (under) expenditures	(44,708)	(51,757)	204,967	11,756	(3,842)	116,416
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers out	(80,000)	-	-	(85,960)	-	(165,960)
<b>Total other financing sources (uses)</b>	<b>(80,000)</b>	<b>-</b>	<b>-</b>	<b>(85,960)</b>	<b>-</b>	<b>(165,960)</b>
<b>Net change in fund balances</b>	<b>(124,708)</b>	<b>(51,757)</b>	<b>204,967</b>	<b>(74,204)</b>	<b>(3,842)</b>	<b>(49,544)</b>
Fund balances - beginning	300,957	101,734	1,953,992	74,207	(10)	2,430,880
<b>Fund balances - ending</b>	<b>\$ 176,249</b>	<b>\$ 49,977</b>	<b>\$ 2,158,959</b>	<b>\$ 3</b>	<b>\$ (3,852)</b>	<b>\$ 2,381,336</b>

**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2013**

	Asset Seizure (Unprocessed)	Kings County CDBG	Corcoran Police Explorers	Total
<b>ASSETS</b>				
Cash	\$ 752	\$ 14,645	\$ 3,070	\$ 18,467
Receivables:				
Interest	-	88	-	88
Notes	-	1,135,596	-	1,135,596
Total assets	<u>\$ 752</u>	<u>\$ 1,150,329</u>	<u>\$ 3,070</u>	<u>\$ 1,154,151</u>
<b>LIABILITIES</b>				
Due to other agencies	<u>\$ 752</u>	<u>\$ 1,150,329</u>	<u>\$ 3,070</u>	<u>\$ 1,154,151</u>
Total liabilities	<u>\$ 752</u>	<u>\$ 1,150,329</u>	<u>\$ 3,070</u>	<u>\$ 1,154,151</u>

**CITY OF CORCORAN  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b><u>ASSETS SEIZURES (UNPROCESSED)</u></b>				
<b>ASSETS</b>				
Cash	\$ 752	\$ -	\$ -	\$ 752
Total assets	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 752	\$ -	\$ -	\$ 752
Total liabilities	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>
<b><u>KINGS COUNTY CDBG</u></b>				
<b>ASSETS</b>				
Cash	\$ 21,367	\$ 27,037	\$ (33,759)	\$ 14,645
Receivables:				
Interest	171	-	(83)	88
Notes	1,162,033	-	(26,437)	1,135,596
Total assets	<u>\$ 1,183,571</u>	<u>\$ 27,037</u>	<u>\$ (60,279)</u>	<u>\$ 1,150,329</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 1,183,571	\$ -	\$ (33,242)	\$ 1,150,329
Total liabilities	<u>\$ 1,183,571</u>	<u>\$ -</u>	<u>\$ (33,242)</u>	<u>\$ 1,150,329</u>
<b><u>CORCORAN POLICE EXPLORERS</u></b>				
<b>ASSETS</b>				
Cash	\$ 2,276	\$ 3,759	\$ (2,965)	\$ 3,070
Total assets	<u>\$ 2,276</u>	<u>\$ 3,759</u>	<u>\$ (2,965)</u>	<u>\$ 3,070</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 2,277	\$ 3,531	\$ (2,738)	\$ 3,070
Total liabilities	<u>\$ 2,277</u>	<u>\$ 3,531</u>	<u>\$ (2,738)</u>	<u>\$ 3,070</u>

OTHER INDEPENDENT AUDITOR'S REPORT

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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 Corcoran, 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 Corcoran, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 17, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

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

**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  
January 17, 2014

## FINDINGS AND QUESTIONED COSTS

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**CITY OF CORCORAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness identified?	_____ Yes	_____ X _____	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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2012-01**

Condition: The City of Corcoran's governmental capital assets schedule had several errors from the calculation of depreciation, historical cost values, and transferring of assets.

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 34

Cause: Due to staff shortages, there was a lack of review to ensure accuracy of the capital assets schedule.

Effect: Governmental capital assets were understated by \$33,579 in the prior fiscal year.

Recommendation: The capital assets schedule should be reviewed for propriety by someone other than the person preparing the depreciation schedule and the City should invest in capital assets software to help with the tracking and depreciation of capital assets.

Response: The City will make it a priority to update and review the fixed asset schedules on an ongoing basis and review options for streamlining the process.

Status: Implemented

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported