

**CITY OF CORCORAN
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2014**

**CITY OF CORCORAN
JUNE 30, 2014**

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JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corcoran, California (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California, as of June 30, 2014, 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.

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 Government 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 of the 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 included on page 57 and budgetary comparison information on pages 58–62 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.

Other 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City of Corcoran, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 30, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments:			
Unrestricted	\$ 3,810,304	\$ 8,668,588	\$ 12,478,892
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	76,502	707,838	784,340
Receivables	14,154,668	865,989	15,020,657
Prepaid expenses	52,205	18,365	70,570
Deposits	67,251	-	67,251
Property held for resale	3,039,177	-	3,039,177
Capital assets:			
Non-depreciable	2,319,438	1,119,699	3,439,137
Depreciable, net of accumulated depreciation	<u>9,769,298</u>	<u>26,966,068</u>	<u>36,735,366</u>
Total assets	<u>33,288,843</u>	<u>38,416,253</u>	<u>71,705,096</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instrument - interest rate swap	-	3,060,828	3,060,828
Total deferred outflows of resources	-	<u>3,060,828</u>	<u>3,060,828</u>
LIABILITIES			
Accounts payable	471,323	515,820	987,143
Deposits	83,257	-	83,257
Interest payable	-	126,923	126,923
Noncurrent liabilities:			
Due within one year:			
Note payable	-	97,358	97,358
Certificates of participation	60,000	580,000	640,000
Compensated absences	195,862	29,963	225,825
Due in more than one year:			
Note payable	-	270,357	270,357
Certificates of participation	140,000	20,862,393	21,002,393
Compensated absences	<u>220,184</u>	<u>8,172</u>	<u>228,356</u>
Total liabilities	<u>1,170,626</u>	<u>22,490,986</u>	<u>23,661,612</u>
DEFERRED INFLOWS OF RESOURCES			
Derivative instrument - interest rate swap	-	3,060,828	3,060,828
Total deferred inflows of resources	-	<u>3,060,828</u>	<u>3,060,828</u>
NET POSITION			
Net investment in capital assets	11,888,736	6,275,659	18,164,395
Restricted for:			
Debt service	84,077	777,544	861,621
Community development	393,445	-	393,445
Public safety	163,775	-	163,775
Transportation and streets	1,353,399	-	1,353,399
Parks and recreation	58,338	-	58,338
Unrestricted	<u>18,176,447</u>	<u>8,872,064</u>	<u>27,048,511</u>
Total net position	<u>\$ 32,118,217</u>	<u>\$ 15,925,267</u>	<u>\$ 48,043,484</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, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 878,597	\$ -	\$ -	\$ -	\$ (878,597)	\$ -	\$ (878,597)
Community development	1,245,690	72,038	553,359	-	(620,293)	-	(620,293)
Public safety	4,200,481	21,900	281,920	412,062	(3,484,599)	-	(3,484,599)
Public works	1,155,240	-	929,312	356,632	130,704	-	130,704
Parks and recreation	406,685	-	-	-	(406,685)	-	(406,685)
Interest on long-term debt	20,781	-	-	-	(20,781)	-	(20,781)
Total governmental activities	7,907,474	93,938	1,764,591	768,694	(5,280,251)	-	(5,280,251)
Business-type activities:							
Water	4,540,224	4,488,344	-	-	-	(51,880)	(51,880)
Sewer	1,161,339	1,014,841	-	-	-	(146,498)	(146,498)
Refuse	1,691,030	1,659,309	-	-	-	(31,721)	(31,721)
Storm drain	363,407	304,053	-	-	-	(59,354)	(59,354)
Transit	842,900	83,239	880,450	-	-	120,789	120,789
Total business-type activities	8,598,900	7,549,786	880,450	-	-	(168,664)	(168,664)
Total	\$ 16,506,374	\$ 7,643,724	\$ 2,645,041	\$ 768,694	(5,280,251)	(168,664)	(5,448,915)
General revenues:							
Taxes:							
Property taxes					332,738	-	332,738
Sales and use taxes					1,086,828	-	1,086,828
Franchise taxes					254,694	-	254,694
Other taxes					256,617	-	256,617
Motor vehicle in-lieu					2,126,693	-	2,126,693
Investment income					22,965	22,357	45,322
Rental income					344,018	8,719	352,737
Loan repayments					9,553	-	9,553
Gain (loss) on disposal of fixed assets					(3,801)	-	(3,801)
Miscellaneous					426,799	557,973	984,772
Transfers					51,300	(51,300)	-
Total general revenues and transfers					4,908,404	537,749	5,446,153
Change in net position					(371,847)	369,085	(2,762)
Net position - beginning					18,036,847	16,028,071	34,064,918
Prior period adjustments					14,453,217	(471,889)	13,981,328
Net position - beginning, restated					32,490,064	15,556,182	48,046,246
Net position - ending					\$ 32,118,217	\$ 15,925,267	\$ 48,043,484

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, 2014

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Unrestricted	\$ 1,922,628	\$ 1,184,871	\$ -	\$ 354,896	\$ 347,909	\$ 3,810,304
Cash with fiscal agent:						
Restricted	-	-	-	-	76,502	76,502
Receivables	451,930	561,054	4,721,691	7,985,296	434,697	14,154,668
Due from other funds	6,298	-	-	-	-	6,298
Prepaid expenses	50,579	1,626	-	-	-	52,205
Deposits	67,251	-	-	-	-	67,251
Property held for resale	3,039,177	-	-	-	-	3,039,177
Total assets	<u>\$ 5,537,863</u>	<u>\$ 1,747,551</u>	<u>\$ 4,721,691</u>	<u>\$ 8,340,192</u>	<u>\$ 859,108</u>	<u>\$ 21,206,405</u>
LIABILITIES						
Accounts payable	\$ 277,137	\$ 38,617	\$ 132,729	\$ 1,067	\$ 21,773	\$ 471,323
Due to other funds	-	-	6,298	-	-	6,298
Deposits	82,557	-	-	-	700	83,257
Total liabilities	<u>359,694</u>	<u>38,617</u>	<u>139,027</u>	<u>1,067</u>	<u>22,473</u>	<u>560,878</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	287,073	353,909	4,721,528	7,985,076	400,015	13,747,601
Total deferred inflows of resources	<u>287,073</u>	<u>353,909</u>	<u>4,721,528</u>	<u>7,985,076</u>	<u>400,015</u>	<u>13,747,601</u>
FUND BALANCES						
Nonspendable:						
Prepaid expenses	50,579	1,626	-	-	-	52,205
Property held for resale	3,039,177	-	-	-	-	3,039,177
Restricted for:						
Debt service	-	-	-	-	84,077	84,077
Community development	-	-	-	354,049	39,396	393,445
Public safety	-	-	-	-	163,775	163,775
Transportation and streets	-	1,353,399	-	-	-	1,353,399
Parks and recreation	-	-	-	-	58,338	58,338
Unassigned	1,801,340	-	(138,864)	-	91,034	1,753,510
Total fund balances (deficits)	<u>4,891,096</u>	<u>1,355,025</u>	<u>(138,864)</u>	<u>354,049</u>	<u>436,620</u>	<u>6,897,926</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,537,863</u>	<u>\$ 1,747,551</u>	<u>\$ 4,721,691</u>	<u>\$ 8,340,192</u>	<u>\$ 859,108</u>	<u>\$ 21,206,405</u>

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, 2014**

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

Total fund balances - total governmental funds	\$ 6,897,926
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	12,088,736
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(616,046)
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	<u>13,747,601</u>
Net position of governmental activities	<u>\$ 32,118,217</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, 2014

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 335,578	\$ -	\$ -	\$ -	\$ 103,810	\$ 439,388
Other taxes	1,383,684	-	-	-	-	1,383,684
Licenses and permits	112,844	-	-	-	-	112,844
Intergovernmental revenues	2,251,874	919,496	-	-	8,699	3,180,069
Charges for services	92,030	-	-	-	-	92,030
Fines and penalties	22,603	846	-	-	-	23,449
Use of money and property	281,710	3,957	549	1,063	80,810	368,089
Grant drawdowns	173,246	-	166,403	225,000	119,098	683,747
Loan repayments	-	-	137,828	353,986	27,840	519,654
Miscellaneous	390,913	481	16,243	10,472	26,324	444,433
Total revenues	<u>5,044,482</u>	<u>924,780</u>	<u>321,023</u>	<u>590,521</u>	<u>366,581</u>	<u>7,247,387</u>
EXPENDITURES						
Current:						
General government	757,187	-	-	-	10,228	767,415
Community development	-	-	587,204	428,997	13,475	1,029,676
Public safety	4,042,718	-	-	-	31,904	4,074,622
Public works	301,905	675,874	-	-	-	977,779
Parks and recreation	301,691	-	-	-	119	301,810
Capital outlay:						
General government	80,478	-	-	-	-	80,478
Public safety	-	-	-	-	100,630	100,630
Public works	-	1,052,840	-	-	25,646	1,078,486
Debt service:						
Principal retirement	-	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	-	20,781	20,781
Total expenditures	<u>5,483,979</u>	<u>1,728,714</u>	<u>587,204</u>	<u>428,997</u>	<u>252,783</u>	<u>8,481,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(439,497)</u>	<u>(803,934)</u>	<u>(266,181)</u>	<u>161,524</u>	<u>113,798</u>	<u>(1,234,290)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	<u>51,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,300</u>
Total other financing sources (uses)	<u>51,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,300</u>
Net change in fund balances	<u>(388,197)</u>	<u>(803,934)</u>	<u>(266,181)</u>	<u>161,524</u>	<u>113,798</u>	<u>(1,182,990)</u>
Fund balances - beginning	<u>4,342,415</u>	<u>2,158,959</u>	<u>127,317</u>	<u>192,525</u>	<u>322,822</u>	<u>7,144,038</u>
Prior period adjustment	936,878	-	-	-	-	936,878
Fund balances - beginning, as restated	<u>5,279,293</u>	<u>2,158,959</u>	<u>127,317</u>	<u>192,525</u>	<u>322,822</u>	<u>8,080,916</u>
Fund balances (deficits) - ending	<u>\$ 4,891,096</u>	<u>\$ 1,355,025</u>	<u>\$ (138,864)</u>	<u>\$ 354,049</u>	<u>\$ 436,620</u>	<u>\$ 6,897,926</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, 2014

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

Net change in fund balances - total governmental funds	\$ (1,182,990)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	1,259,594
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.	(531,176)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an increase in net position.	(3,801)
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.	7,101
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	29,425
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><u>\$ (371,847)</u></u>

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2014**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 5,976,233	\$ 712,060	\$ 161,817	\$ 1,597,988	\$ 220,490	\$ 8,668,588
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	707,838	-	-	-	-	707,838
Receivables	325,496	131,971	189,398	178,433	40,691	865,989
Prepays	<u>5,403</u>	<u>5,271</u>	<u>1,658</u>	<u>5,447</u>	<u>586</u>	<u>18,365</u>
Total current assets	<u>7,084,676</u>	<u>849,302</u>	<u>352,873</u>	<u>1,781,868</u>	<u>261,767</u>	<u>10,330,486</u>
Noncurrent assets:						
Advances to other funds	373,900	-	-	-	-	373,900
Capital assets:						
Nondepreciable	737,730	281,050	-	54,266	46,653	1,119,699
Depreciable, net of accumulated depreciation	<u>22,071,368</u>	<u>2,507,969</u>	<u>1,514</u>	<u>692,435</u>	<u>1,692,782</u>	<u>26,966,068</u>
Total noncurrent assets	<u>23,182,998</u>	<u>2,789,019</u>	<u>1,514</u>	<u>746,701</u>	<u>1,739,435</u>	<u>28,459,667</u>
Total assets	<u>30,267,674</u>	<u>3,638,321</u>	<u>354,387</u>	<u>2,528,569</u>	<u>2,001,202</u>	<u>38,790,153</u>
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instrument - interest rate swap	<u>3,060,828</u>	-	-	-	-	<u>3,060,828</u>
Total deferred outflows of resources	<u>3,060,828</u>	-	-	-	-	<u>3,060,828</u>
LIABILITIES						
Current liabilities:						
Accounts payable	306,254	49,807	105,091	52,970	1,698	515,820
Interest payable	126,923	-	-	-	-	126,923
Compensated absences	16,145	8,431	1,425	3,962	-	29,963
Certificates of participation	580,000	-	-	-	-	580,000
Notes payable	<u>62,497</u>	<u>34,861</u>	-	-	-	<u>97,358</u>
Total current liabilities	<u>1,091,819</u>	<u>93,099</u>	<u>106,516</u>	<u>56,932</u>	<u>1,698</u>	<u>1,350,064</u>
Noncurrent liabilities:						
Compensated absences	6,639	551	-	-	982	8,172
Advances from other funds	-	-	-	-	373,900	373,900
Certificates of participation	20,862,393	-	-	-	-	20,862,393
Notes payable	<u>264,059</u>	<u>6,298</u>	-	-	-	<u>270,357</u>
Total noncurrent liabilities	<u>21,133,091</u>	<u>6,849</u>	-	-	<u>374,882</u>	<u>21,514,822</u>
Total liabilities	<u>22,224,910</u>	<u>99,948</u>	<u>106,516</u>	<u>56,932</u>	<u>376,580</u>	<u>22,864,886</u>
DEFERRED INFLOWS OF RESOURCES						
Derivative instrument - interest rate swap	<u>3,060,828</u>	-	-	-	-	<u>3,060,828</u>
Total deferred inflows of resources	<u>3,060,828</u>	-	-	-	-	<u>3,060,828</u>
NET POSITION						
Net investment in capital assets	1,040,149	2,747,860	1,514	746,701	1,739,435	6,275,659
Restricted for:						
Debt service	777,544	-	-	-	-	777,544
Unrestricted	<u>6,225,071</u>	<u>790,513</u>	<u>246,357</u>	<u>1,724,936</u>	<u>(114,813)</u>	<u>8,872,064</u>
Total net position	<u>\$ 8,042,764</u>	<u>\$ 3,538,373</u>	<u>\$ 247,871</u>	<u>\$ 2,471,637</u>	<u>\$ 1,624,622</u>	<u>\$ 15,925,267</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, 2014

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,488,165	\$ 1,014,841	\$ 1,659,309	\$ 83,239	\$ 303,153	\$ 7,548,707
Connection fees	179	-	-	-	900	1,079
Total operating revenues	<u>4,488,344</u>	<u>1,014,841</u>	<u>1,659,309</u>	<u>83,239</u>	<u>304,053</u>	<u>7,549,786</u>
OPERATING EXPENSES:						
Personnel costs	460,433	284,751	55,763	370,585	31,774	1,203,306
Maintenance and supplies	1,936,042	477,762	1,454,546	65,653	21,903	3,955,906
Depreciation and amortization	1,035,337	203,993	865	63,855	91,640	1,395,690
Administrative and allocated costs	303,396	192,096	179,856	342,807	218,090	1,236,245
Total operating expenses	<u>3,735,208</u>	<u>1,158,602</u>	<u>1,691,030</u>	<u>842,900</u>	<u>363,407</u>	<u>7,791,147</u>
Operating income (loss)	<u>753,136</u>	<u>(143,761)</u>	<u>(31,721)</u>	<u>(759,661)</u>	<u>(59,354)</u>	<u>(241,361)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	14,529	1,637	361	1,752	478	18,757
Rental income	5,119	3,600	-	3,600	-	12,319
Grants	-	-	-	223,849	-	223,849
Development fees	15,119	56,004	-	-	4,165	75,288
Intergovernmental	-	-	-	656,601	-	656,601
Other revenues	847	342	6,653	124	5,080	13,046
Insurance income	466,054	-	-	-	-	466,054
Gain (loss) on sale of assets	-	1,775	-	1,810	-	3,585
Interest and fiscal charges	(805,016)	(2,737)	-	-	-	(807,753)
Total nonoperating revenues (expenses)	<u>(303,348)</u>	<u>60,621</u>	<u>7,014</u>	<u>887,736</u>	<u>9,723</u>	<u>661,746</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers out	(25,650)	(25,650)	-	-	-	(51,300)
Total other financing sources (uses)	<u>(25,650)</u>	<u>(25,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,300)</u>
Change in net position	<u>424,138</u>	<u>(108,790)</u>	<u>(24,707)</u>	<u>128,075</u>	<u>(49,631)</u>	<u>369,085</u>
Net position - beginning	7,906,707	3,712,112	371,560	2,343,562	1,694,130	16,028,071
Prior period adjustment	(288,081)	(64,949)	(98,982)	-	(19,877)	(471,889)
Net position - beginning, as restated	<u>7,618,626</u>	<u>3,647,163</u>	<u>272,578</u>	<u>2,343,562</u>	<u>1,674,253</u>	<u>15,556,182</u>
Net position - ending	<u>\$ 8,042,764</u>	<u>\$ 3,538,373</u>	<u>\$ 247,871</u>	<u>\$ 2,471,637</u>	<u>\$ 1,624,622</u>	<u>\$ 15,925,267</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, 2014**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,574,136	\$ 1,030,205	\$ 1,661,247	\$ 83,239	\$ 304,070	\$ 7,652,897
Cash payments to suppliers for goods and services	(1,953,616)	(492,867)	(1,454,080)	(21,339)	(22,994)	(3,944,896)
Cash payments to employees for services	(455,904)	(284,604)	(55,185)	(371,449)	(31,774)	(1,198,916)
Cash payments to other funds for allocated costs	<u>(303,396)</u>	<u>(192,096)</u>	<u>(179,856)</u>	<u>(342,807)</u>	<u>(218,090)</u>	<u>(1,236,245)</u>
Net cash provided (used) by operating activities	<u>1,861,220</u>	<u>60,638</u>	<u>(27,874)</u>	<u>(652,356)</u>	<u>31,212</u>	<u>1,272,840</u>
Cash flows from noncapital financing activities:						
Cash received from intergovernmental revenues	-	-	-	1,497,377	-	1,497,377
Cash received from developer fees	15,120	56,004	-	-	4,165	75,289
Loans from (to) other funds	(49,266)	20,815	24,633	-	3,818	-
Cash payments for transfers to other funds	(25,650)	(25,650)	-	-	-	(51,300)
Cash received from other revenue	<u>847</u>	<u>342</u>	<u>6,653</u>	<u>124</u>	<u>5,080</u>	<u>13,046</u>
Net cash provided (used) by noncapital financing activities	<u>(58,949)</u>	<u>51,511</u>	<u>31,286</u>	<u>1,497,501</u>	<u>13,063</u>	<u>1,534,412</u>
Cash flows from capital and related financing activities:						
Cash payments for principal paid on capital debt	(638,309)	(33,649)	-	-	-	(671,958)
Cash payments for interest on capital debt	(759,637)	(2,737)	-	-	-	(762,374)
Cash payments for the acquisition of capital assets	(651,909)	(7,641)	-	(76,570)	-	(736,120)
Cash received from the sale of capital assets	-	1,775	-	1,810	-	3,585
Cash received from capital related insurance settlement	<u>466,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,054</u>
Net cash provided (used) by capital and related financing activities	<u>(1,583,801)</u>	<u>(42,252)</u>	<u>-</u>	<u>(74,760)</u>	<u>-</u>	<u>(1,700,813)</u>
Cash flows from investing activities:						
Cash received from interest on investments	14,351	1,656	384	1,770	464	18,625
Cash received from the rental of property	<u>5,119</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>12,319</u>
Net cash provided (used) by investing activities	<u>19,470</u>	<u>5,256</u>	<u>384</u>	<u>5,370</u>	<u>464</u>	<u>30,944</u>
Increase (decrease) in cash and cash equivalents	237,940	75,153	3,796	775,755	44,739	1,137,383
Cash and cash equivalents, July 1, 2013	<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>
Cash and cash equivalents, June 30, 2014	<u>\$ 6,753,777</u>	<u>\$ 712,060</u>	<u>\$ 161,817</u>	<u>\$ 1,597,988</u>	<u>\$ 220,490</u>	<u>\$ 9,446,132</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, 2014**

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)	\$ 753,136	\$ (143,761)	\$ (31,721)	\$ (759,661)	\$ (59,354)	\$ (241,361)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,035,337	203,993	865	63,855	91,640	1,395,690
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	85,792	15,364	1,938	-	17	103,111
(Increase) decrease in prepaid expenses	(1,030)	452	276	(457)	50	(709)
Increase (decrease) in accounts payable	(16,544)	(15,557)	190	44,771	(1,141)	11,719
Increase (decrease) in compensated absences	4,529	147	578	(864)	-	4,390
Net cash provided (used) by operating activities	<u>\$ 1,861,220</u>	<u>\$ 60,638</u>	<u>\$ (27,874)</u>	<u>\$ (652,356)</u>	<u>\$ 31,212</u>	<u>\$ 1,272,840</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 5,976,233	\$ 712,060	\$ 161,817	\$ 1,597,988	\$ 220,490	\$ 8,668,588
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>707,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,838</u>
	<u>\$ 6,753,777</u>	<u>\$ 712,060</u>	<u>\$ 161,817</u>	<u>\$ 1,597,988</u>	<u>\$ 220,490</u>	<u>\$ 9,446,132</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, 2014**

	Agency Funds	RDA Successor Agency Trust Fund
ASSETS		
Cash	\$ 15,535	\$ 272,099
Cash with fiscal agent	-	294,265
Receivables:		
Notes	1,111,476	-
Capital assets, net	-	3,293,592
 Total assets	 \$ 1,127,011	 \$ 3,859,956
LIABILITIES		
Bond payable	\$ -	\$ 3,126,708
Due to other agencies	1,127,011	845
 Total liabilities	 1,127,011	 3,127,553
NET POSITION		
Held in trust	\$ -	\$ 732,403

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, 2014**

	<u>RDA Successor Agency Trust Fund</u>
ADDITIONS	
Taxes	<u>\$ 612,556</u>
Total additions	<u>612,556</u>
DEDUCTIONS	
Planning and community development	206,221
Depreciation	125,960
Amortization	12,161
Interest	<u>158,818</u>
Total deductions	<u>503,160</u>
Change in net position	109,396
Net position - beginning	<u>623,007</u>
Net position - ending	<u><u>\$ 732,403</u></u>

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, 2014

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 nonprofit 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, 2014

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 Statement 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 each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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 nonoperating 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 **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 **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, 2014**

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, 2014

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 nonexchange 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, 2014

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, 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 st installment, February 1, 2 nd installment
Delinquent Dates	December 10, 1 st installment, April 10, 2 nd 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, 2014**

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 Statement No 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, 2014**

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, 2014**

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, 2014

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:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the 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, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements

New Accounting Pronouncement Adopted

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.

New Accounting Pronouncement Not Yet Adopted

Governmental Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014. Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

Governmental 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.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncement Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement are effective for the City’s fiscal year ending June 30, 2015.

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, 2014 is as follows:

Cash on hand	\$ 1,370
Deposits with financial institutions	1,699,106
Investments	<u>12,214,361</u>
 Total cash and investments	 <u>\$ 13,914,837</u>
 Government-Wide:	
Statement of Net Position:	
Cash and investments	\$ 12,548,599
Cash with fiscal agent	784,340
Fiduciary Funds:	
Statement of Net Position:	
Cash and investments	<u>581,898</u>
 Total cash and investments	 <u>\$ 13,914,837</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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
Negotiable certificates of deposit	Small business administration loans
Bankers' acceptances	Repurchase agreements
Commercial paper	Reverse repurchase agreements

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in On Issuer
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, 2014

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	\$ 11,478,011	\$ 11,478,011	\$ -	\$ -	\$ -
RMA investment pool	135,899	135,899	-	-	-
Held by bond trustee:					
Certificates of deposit	240,000	240,000	-	-	-
Money market funds	<u>360,451</u>	<u>360,451</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,214,361</u>	<u>\$ 12,214,361</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 Statement 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	\$ 11,478,011	\$ -	\$ -	\$ -	\$ 11,478,011
RMA investment pool	135,899	-	-	-	135,899
Held by bond trustee:					
Certificates of deposit	240,000	-	-	-	240,000
Money market funds	<u>360,451</u>	<u>-</u>	<u>-</u>	<u>283,949</u>	<u>76,502</u>
Total	<u>\$ 12,214,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,949</u>	<u>\$ 11,930,412</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the carrying amount of the City's bank deposits was \$1,699,106 and the respective bank balances totaled \$1,887,322. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$500,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$1,387,322 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, 2014 balance was \$11,478,011. 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, 2014**

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2014 consisted of the following for the governmental funds:

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Intergovernmental	\$ 30,965	\$ 128,347	\$ -	\$ -	\$ -	\$ 159,312
Interest	512	927	163	220	175	1,997
Other	420,453	431,780	-	-	34,507	886,740
Notes	-	-	4,721,528	7,985,076	400,015	13,106,619
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables, net	<u>\$ 451,930</u>	<u>\$ 561,054</u>	<u>4,721,691</u>	<u>\$ 7,985,296</u>	<u>\$ 434,697</u>	<u>\$ 14,154,668</u>

Receivables as of June 30, 2014 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 354,297	\$ 140,493	\$ 197,538	\$ -	\$ 42,469	\$ 734,797
Interest	3,486	384	67	371	117	4,425
Intergovernmental	-	-	-	178,062	-	178,062
Other	-	-	5,420	-	-	5,420
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>\$ 325,496</u>	<u>\$ 131,971</u>	<u>\$ 189,398</u>	<u>\$ 178,433</u>	<u>\$ 40,691</u>	<u>\$ 865,989</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

	Due From	Due To
Governmental Funds		
Major Funds:		
General Fund	\$ 6,298	\$ -
Community Development Block Grant Special Revenue Fund	-	6,298
Total	\$ 6,298	\$ 6,298

Long-Term Interfund Advances

At June 30, 2014, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Enterprise Funds		
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, 2014:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
General Fund	\$ 51,300	\$ -
Enterprise Funds		
Major Funds:		
Water Fund	-	25,650
Sewer fund	-	25,650
Total	\$ 51,300	\$ 51,300

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – NOTES RECEIVABLE / UNAVAILABLE REVENUE

Notes receivable consisted of the following as of June 30, 2014:

	Major Funds		Nonmajor Funds		Total
	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Fund	Economic Development Research Loan Program Special Revenue Fund	Housing Authority Special Revenue Fund	
Loans receivable under the Business Revolving Loan Program.	\$ -	\$ -	76,817	\$ -	\$ 76,817
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	4,721,528	-	-	323,198	4,721,528
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	7,985,076	-	-	7,985,076
Total notes receivable	<u>\$ 4,721,528</u>	<u>\$ 7,985,076</u>	<u>\$ 76,817</u>	<u>\$ 323,198</u>	<u>\$ 13,106,619</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 include “performing” loans with monthly/annual activity and “deferred” loans that do not require payments until a future date, as described in the following paragraph.

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, or a certain agreed-upon amount of time has passed, at which time the full amount of the deferred loan is due. Deferred payment loans are “non-performing” loans; however, since it is expected that the City will eventually received full reimbursement for these loans, such loans are also included as receivables in the in the financial statements.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 502,027	\$ -	\$ -	\$ 502,027
Construction in progress	670,036	-	-	670,036
Infrastructure in progress	<u>115,026</u>	<u>1,032,349</u>	<u>-</u>	<u>1,147,375</u>
Total capital assets not being depreciated	<u>1,287,089</u>	<u>1,032,349</u>	<u>-</u>	<u>2,319,438</u>
Capital assets being depreciated:				
Buildings and other improvements	6,609,206	43,296	(10,488)	6,642,014
Machinery and equipment	2,075,533	70,143	-	2,145,676
Infrastructure	6,234,005	20,491	-	6,254,496
Vehicles	<u>995,085</u>	<u>93,315</u>	<u>-</u>	<u>1,088,400</u>
Total capital assets being depreciated	<u>15,913,829</u>	<u>227,245</u>	<u>(10,488)</u>	<u>16,130,586</u>
Less accumulated depreciation for:				
Buildings and other improvements	(2,497,278)	(218,497)	6,685	(2,709,090)
Machinery and equipment	(1,735,412)	(104,408)	-	(1,839,820)
Infrastructure	(816,082)	(157,224)	-	(973,306)
Vehicles	<u>(788,025)</u>	<u>(51,047)</u>	<u>-</u>	<u>(839,072)</u>
Total accumulated depreciation	<u>(5,836,797)</u>	<u>(531,176)</u>	<u>6,685</u>	<u>(6,361,288)</u>
Total capital assets being depreciated, net	<u>10,077,032</u>	<u>(303,931)</u>	<u>(3,803)</u>	<u>9,769,298</u>
Governmental activities capital assets, net	<u>\$ 11,364,121</u>	<u>\$ 728,418</u>	<u>\$ (3,803)</u>	<u>\$ 12,088,736</u>

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

Governmental Activities:	
General government	\$ 117,689
Community development	570
Public safety	131,579
Public works	174,244
Parks and recreation	<u>107,094</u>
Total	<u>\$ 531,176</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	<u>868,737</u>	<u>683,078</u>	<u>(1,418,099)</u>	<u>133,716</u>
Total capital assets not being depreciated	<u>1,854,720</u>	<u>683,078</u>	<u>(1,418,099)</u>	<u>1,119,699</u>
Capital assets being depreciated:				
Utility systems	45,168,334	1,440,403	-	46,608,737
Machinery and equipment	1,511,120	30,738	-	1,541,858
Vehicles	<u>1,467,025</u>	<u>-</u>	<u>(231,897)</u>	<u>1,235,128</u>
Total capital assets being depreciated	<u>48,146,479</u>	<u>1,471,141</u>	<u>(231,897)</u>	<u>49,385,723</u>
Less accumulated depreciation for:				
Utility systems	(18,969,787)	(1,251,605)	-	(20,221,392)
Machinery and equipment	(931,852)	(102,634)	-	(1,034,486)
Vehicles	<u>(1,354,223)</u>	<u>(41,451)</u>	<u>231,897</u>	<u>(1,163,777)</u>
Total accumulated depreciation	<u>(21,255,862)</u>	<u>(1,395,690)</u>	<u>231,897</u>	<u>(22,419,655)</u>
Total capital assets being depreciated, net	<u>26,890,617</u>	<u>75,451</u>	<u>-</u>	<u>26,966,068</u>
Business-type activities capital assets, net	<u>\$ 28,745,337</u>	<u>\$ 758,529</u>	<u>\$ (1,418,099)</u>	<u>\$ 28,085,767</u>

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

Business-Type Activities:	
Water	\$ 1,035,337
Sewer	203,993
Refuse	865
Transit	91,640
Storm Drain	<u>63,855</u>
Total	<u>\$ 1,395,690</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$220,184 for governmental activities and \$8,172 for business-type activities at June 30, 2014, 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, 2014, the current balance is \$416,046 for governmental activities, and \$38,135 for the business-type activities.

	<u>Balance July 1, 2013</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Compensated absences	\$ 423,147	\$ 223,101	\$ (230,202)	\$ 416,046	\$ 195,862	\$ 220,184
Business-Type Activities:						
Compensated absences	\$ 33,745	\$ 47,741	\$ (43,351)	\$ 38,135	\$ 29,963	\$ 8,172

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Certificates of participation	\$ 250,000	\$ -	\$ (50,000)	\$ 200,000	\$ 60,000	\$ 140,000
Total governmental activities	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 200,000</u>	<u>\$ 60,000</u>	<u>\$ 140,000</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

The following is a schedule of the future estimated minimum payments related to the Certificates of Participation at June 30, 2014:

Fiscal Years Ending	1992 Certificates of Participation		
	Principal	Interest	Total
2015	\$ 60,000	\$ 16,187	\$ 76,187
2016	<u>140,000</u>	<u>10,937</u>	<u>150,937</u>
Totals	<u>\$ 200,000</u>	<u>\$ 27,124</u>	<u>\$ 227,124</u>

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2014:

	Balance July 1, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 387,497	\$ -	\$ (60,941)	\$ 326,556	\$ 62,497	\$ 264,059
2008 Certificates of Participation	17,680,000	-	(415,000)	17,265,000	430,000	16,835,000
2008 Certificates of Participation - Deferred Refunding	(361,160)	-	16,416	(344,744)	-	(344,744)
2008 Bond Discount	(134,079)	-	6,216	(127,863)	-	(127,863)
State Water Quality Control Fund Loans (Sewer Fund)	74,808	-	(33,649)	41,159	34,861	6,298
2012 A Bonds	<u>4,835,000</u>	<u>-</u>	<u>(185,000)</u>	<u>4,650,000</u>	<u>150,000</u>	<u>4,500,000</u>
Total business-type activities	<u>\$ 22,482,066</u>	<u>\$ -</u>	<u>\$ (671,958)</u>	<u>\$ 21,810,108</u>	<u>\$ 677,358</u>	<u>\$ 21,132,750</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

The following is a schedule of the future estimated minimum payments related to the Davis-Grunsky Loan at June 30, 2014:

Fiscal Years Ending	Davis-Grunsky Loan (Water Fund)		
	Principal	Interest	Total
2015	\$ 62,497	\$ 6,847	\$ 69,344
2016	63,883	5,383	69,266
2017	65,269	3,883	69,152
2018	66,655	2,349	69,004
2019	<u>68,252</u>	<u>786</u>	<u>69,038</u>
Totals	<u>\$ 326,556</u>	<u>\$ 19,248</u>	<u>\$ 345,804</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 \$6,341 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.

The following is a schedule of the future estimated minimum payments related to the State Water Quality Fund Loans at June 30, 2014:

Fiscal Years Ending	State Water Quality Control Fund Loans (Sewer Fund)		
	Principal	Interest	Total
2015	\$ 34,861	\$ 1,482	\$ 36,343
2016	<u>6,298</u>	<u>43</u>	<u>6,341</u>
Totals	<u>\$ 41,159</u>	<u>\$ 1,525</u>	<u>\$ 42,684</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – LONG-TERM DEBT (Continued)

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%.

The following is a schedule of the future estimated payments related to the 2008 Certificates of Participation at June 30, 2014:

Fiscal Years Ending	2008 Certificates of Participation (Water Fund)		
	Principal	Interest	Total
2015	\$ 430,000	\$ 321,129	\$ 751,129
2016	450,000	313,131	763,131
2017	475,000	304,761	779,761
2018	495,000	295,926	790,926
2019	520,000	286,719	806,719
2020-2024	2,990,000	1,279,122	4,269,122
2025-2029	3,760,000	973,803	4,733,803
2030-2034	4,735,000	589,434	5,324,434
2035-2037	<u>3,410,000</u>	<u>128,805</u>	<u>3,538,805</u>
Totals	<u>\$ 17,265,000</u>	<u>\$ 4,492,830</u>	<u>\$ 21,757,830</u>

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

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.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – LONG-TERM DEBT (Continued)

2008 Certificates of Participation (Water Fund) (Continued)

Fair Value. The Counterparty informed the City that as of June 30, 2014, the swap had a fair value of (\$3,060,828). The Counterparty states that the valuation is based on a proprietary model.

Credit Risk. As of June 30, 2014, 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.

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.

The following is a schedule of the future estimated minimum payments related to the 2012A Water Revenue Refunding Bonds at June 30, 2014:

Fiscal Years Ending	2012A Water Revenue Refunding Bonds		
	Principal	Interest	Total
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	170,000	138,638	308,638
2020-2024	925,000	613,688	1,538,688
2025-2029	1,070,000	462,550	1,532,550
2030-2034	1,275,000	262,281	1,537,281
2035-2036	580,000	35,000	615,000
Totals	<u>\$ 4,650,000</u>	<u>\$ 2,114,707</u>	<u>\$ 6,764,707</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 Statement No. 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 Statement No. 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 \$3,060,828 related to a derivative instrument – interest rate swap.

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: a derivative instrument – interest rate swap – and unavailable revenues. The City reports \$3,060,828 related to its 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	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Loans	\$ -	\$ -	\$ 4,721,528	\$ 7,985,076	\$ 400,015	\$ 13,106,619
Intergovernmental revenue	<u>287,073</u>	<u>353,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,982</u>
	<u>\$ 287,073</u>	<u>\$ 353,909</u>	<u>\$ 4,721,528</u>	<u>\$ 7,985,076</u>	<u>\$ 400,015</u>	<u>\$ 13,747,601</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing 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

CalPERS implemented a change for fiscal year 2012-2013 based on the passage of Assembly Bill (AB) 340. AB340 created the Public Employees’ Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of a new member under PEPRA. The City will assign employees as either “Classic” or PEPRA”, which have different contribution rates reflected in the following paragraphs.

Active “classic” 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 2013-2014 was 34.055% and 10.706% 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.

Annual Pension Cost and Net Pension Obligation

For the fiscal year 2013-2014, the City’s combined annual pension cost of \$689,113 was equal to the annual requirement contribution. The current year’s required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.50% investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for members of both plans. Both (a) and (b) include an inflation component of 2.75%. 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 15-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, 2014 was 20 years.

The City’s annual pension costs (APC) and net pension obligation as of and for the year ended June 30, 2014 were as follows:

Fiscal Years Ending	Annual Pension Costs (APC)	Percent of APC Contributed	Net Pension Obligation
<u>Miscellaneous Plan</u>			
6/30/2012	\$ 330,301	100%	\$ -
6/30/2013	\$ 228,474	100%	\$ -
6/30/2014	\$ 249,299	100%	\$ -
<u>Safety Plan</u>			
6/30/2012	\$ 490,370	100%	\$ -
6/30/2013	\$ 389,724	100%	\$ -
6/30/2014	\$ 439,814	100%	\$ -

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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.

<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>
6/30/2013						
Miscellaneous	\$ 11,805,627,557	\$ 9,093,458,815	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%
Safety	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%

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.

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, 2014:

Total assets	\$ 80,694,798
Total liabilities	<u>65,440,947</u>
Member's equity	<u>\$ 15,253,851</u>
Total revenues	\$ 32,108,146
Total expenses	<u>32,739,704</u>
Excess of expenses (loss) over income	<u>\$ (631,558)</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014:

General Fund:	
Current:	
Public safety	\$145,861
Transportation and Street Special Revenue Fund:	
Capital outlay:	
Public works	\$582,840
Housing Authority Special Revenue Fund:	
Current:	
Community development	\$301,830

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

Deficit Fund Balance

The Community Development Block Grant Special Revenue Fund had a net deficit balance of \$138,864 at June 30, 2014. The deficit is due primarily to costs required to administer the fund exceeding the amount of revenue the City receives from the loans that are currently recorded as receivables. The deficit will be eliminated through the future payment related to the housing loans or transfers from other funds.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 – SEGMENT INFORMATION

Segment information for the Water Fund for the year ended June 30, 2014 is as follows:

	Water Fund
CONDENSED STATEMENT OF NET POSITION	
Assets:	
Current assets	\$ 7,084,676
Noncurrent assets	23,182,998
Total assets	30,267,674
Liabilities:	
Current liabilities	1,091,819
Noncurrent liabilities	21,133,091
Total liabilities	22,224,910
Net Position:	
Net investment in capital assets	1,040,149
Restricted	777,544
Unrestricted	6,225,071
Total net position	\$ 8,042,764
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	
Operating revenues	\$ 4,488,344
Depreciation expenses	(1,035,337)
Other operating expenses	(2,699,871)
Operating income (loss)	753,136
Nonoperating revenues (expenses):	
Other nonoperating revenue	487,139
Investment income	14,529
Interest expense	(805,016)
Total nonoperating revenues (expenses)	(303,348)
Changes in net position	424,138
Beginning net position	7,906,707
Prior period adjustment	(288,081)
Ending net position	\$ 8,042,764
CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 1,861,220
Noncapital financing activities	(58,949)
Capital and related financing activities	(1,583,801)
Investing activities	19,470
Net increase (decrease) in cash and cash equivalents	237,940
Beginning cash and cash equivalents	6,515,837
Ending cash and cash equivalents	\$ 6,753,777

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

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

Governmental Activities

The beginning net position related to the Governmental Activities in the Government-wide Statement of Activities was understated by \$14,453,217 as a result of the following prior period adjustments:

- 1) During the current year, the City changed its method of accounting for CDBG loans. The total impact to beginning fund balance for the adjustment was \$13,571,958. Of this total, \$3,685,150 was related to “performing loans” that were offset with unearned revenue in the prior years. The remaining \$9,886,808 was related to “deferred” loans that the City did not record due the “non-performing” nature of the loans. However, since the loans will eventually become due and fully payable, it was determined during the current year that the balance of the loans should be included as a receivable in the City’s financial records.
- 2) The City understated expenses in previous years totaling \$55,619 as a result of not writing off foreclosed housing loans in a timely manner. The loans that should have been written off in previous years due to foreclosure would have created a bad debt expenses in the same fiscal year a given foreclosure occurred.
- 3) The City understated prior year revenues by \$936,878 as a result of not recording properties that were contributed to the City during previous years. The City is currently holding the properties in order to sell them in the future at a profit.

Governmental Funds

The beginning fund balance in the General Fund was understated by \$936,878. As was discussed in the preceding section, this understatement was a result of not recording various properties that were contributed to the City during previous years. The City is currently holding the properties in order to sell them in the future at a profit.

Business-Type Activities and Enterprise Funds

The beginning fund balance related to the Business-type Activities in the Government-wide Statement of Activities was overstated by \$471,889 as a result of numerous “deleted” utility accounts not being written off in previous years. Although these accounts were marked as “deleted” in the utility billing system, they were not actually written off and were not posted to the City’s general ledger.

The adjustments by fund are as follows:

<u>Fund</u>	<u>Prior Period Adjustments</u>
Water Fund	\$ 288,081
Sewer Fund	64,949
Refuse Fund	98,982
Storm Drain Fund	<u>19,877</u>
 Total	 <u>\$ 471,889</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 is as follows:

Cash on hand	\$ 272,099
Cash with fiscal agent	<u>294,265</u>
Total cash	<u>\$ 566,364</u>

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2014 is as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
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	(1,267,990)	(84,292)	-	(1,352,282)
Infrastructure	<u>(356,768)</u>	<u>(41,668)</u>	<u>-</u>	<u>(398,436)</u>
Total accumulated depreciation	<u>(1,624,758)</u>	<u>(125,960)</u>	<u>-</u>	<u>(1,750,718)</u>
Total capital assets being depreciated, net	<u>3,394,152</u>	<u>(125,960)</u>	<u>-</u>	<u>3,268,192</u>
Governmental activities capital assets, net	<u>\$ 3,419,552</u>	<u>\$ (125,960)</u>	<u>\$ -</u>	<u>\$ 3,293,592</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

The following is a summary of long-term obligation transactions for the Successor Agency Trust Fund at June 30, 2014:

	Balance July 1, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 3,580,000	\$ -	\$ (205,000)	\$ 3,375,000	\$ 215,000	\$ 3,160,000
Bond Discount	<u>(260,454)</u>	-	<u>12,162</u>	<u>(248,292)</u>	-	<u>(248,292)</u>
Total	<u>\$ 3,319,546</u>	<u>\$ -</u>	<u>\$ (192,838)</u>	<u>\$ 3,126,708</u>	<u>\$ 215,000</u>	<u>\$ 2,911,708</u>

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>
2015	\$ 215,000	\$ 154,718	\$ 369,718
2016	220,000	146,118	366,118
2017	230,000	137,208	367,208
2018	240,000	127,548	367,548
2019	250,000	117,228	367,228
2020-2024	1,190,000	405,780	1,595,780
2025-2029	405,000	217,745	622,745
2030-2034	505,000	107,750	612,750
2035	<u>120,000</u>	<u>6,000</u>	<u>126,000</u>
Totals	<u>\$ 3,375,000</u>	<u>\$ 1,420,095</u>	<u>\$ 4,795,095</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
Miscellaneous:						
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%
6/30/2013	\$ 11,805,627,557	\$ 9,093,458,815	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%
Safety:						
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,892,222	134.0%
6/30/2012	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 1,909,639,449	15.1%
6/30/2013	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 331,245	\$ 331,245	\$ 335,578	\$ 4,333
Other taxes	629,500	629,500	1,383,684	754,184
Licenses and permits	101,500	101,500	112,844	11,344
Intergovernmental revenues	2,193,515	2,193,515	2,251,874	58,359
Charges for services	87,777	87,777	92,030	4,253
Fines and penalties	27,000	27,000	22,603	(4,397)
Use of money and property	-	-	281,710	281,710
Grant drawdowns	297,400	297,400	173,246	(124,154)
Miscellaneous	114,175	114,175	390,913	276,738
Total revenues	<u>3,782,112</u>	<u>3,782,112</u>	<u>5,044,482</u>	<u>1,262,370</u>
EXPENDITURES				
Current:				
General government	1,214,465	1,214,465	757,187	457,278
Public safety	3,896,857	3,896,857	4,042,718	(145,861)
Public works	379,782	379,782	301,905	77,877
Parks and recreation	495,913	495,913	301,691	194,222
Capital outlay:				
General government	157,300	157,300	80,478	76,822
Total expenditures	<u>6,144,317</u>	<u>6,144,317</u>	<u>5,483,979</u>	<u>660,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,362,205)</u>	<u>(2,362,205)</u>	<u>(439,497)</u>	<u>1,922,708</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	100,000	100,000	51,300	(48,700)
Operating transfers out	100,000	(100,000)	-	100,000
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>51,300</u>	<u>51,300</u>
Net change in fund balances	<u>(2,162,205)</u>	<u>(2,362,205)</u>	<u>(388,197)</u>	<u>1,974,008</u>
Fund balances - beginning	4,342,415	4,342,415	4,342,415	-
Prior period adjustment	936,878	936,878	936,878	-
Fund balances - beginning, as restated	<u>5,279,293</u>	<u>5,279,293</u>	<u>5,279,293</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,117,088</u>	<u>\$ 2,917,088</u>	<u>\$ 4,891,096</u>	<u>\$ 1,974,008</u>

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION AND STREETS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amount</u>		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 762,974	\$ 762,974	\$ 919,496	\$ 156,522
Fines and penalties	-	-	846	846
Use of money and property	1,000	1,000	3,957	2,957
Miscellaneous	<u>-</u>	<u>-</u>	<u>481</u>	<u>481</u>
Total revenues	<u>763,974</u>	<u>763,974</u>	<u>924,780</u>	<u>160,806</u>
EXPENDITURES				
Current:				
Public works	691,228	691,228	675,874	15,354
Capital outlay:				
Public works	<u>470,000</u>	<u>470,000</u>	<u>1,052,840</u>	<u>(582,840)</u>
Total expenditures	<u>1,161,228</u>	<u>1,161,228</u>	<u>1,728,714</u>	<u>(567,486)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(397,254)</u>	<u>(397,254)</u>	<u>(803,934)</u>	<u>(406,680)</u>
Net change in fund balances	(397,254)	(397,254)	(803,934)	(406,680)
Fund balances - beginning	<u>2,158,959</u>	<u>2,158,959</u>	<u>2,158,959</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,761,705</u>	<u>\$ 1,761,705</u>	<u>\$ 1,355,025</u>	<u>\$ (406,680)</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, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 549	\$ 549
Grant drawdowns	559,730	559,730	166,403	(393,327)
Loan repayments	106,500	106,500	137,828	31,328
Miscellaneous	<u>-</u>	<u>-</u>	<u>16,243</u>	<u>16,243</u>
Total revenues	<u>666,230</u>	<u>666,230</u>	<u>321,023</u>	<u>(345,207)</u>
EXPENDITURES				
Current:				
Community development	<u>651,427</u>	<u>651,427</u>	<u>587,204</u>	<u>64,223</u>
Total expenditures	<u>651,427</u>	<u>651,427</u>	<u>587,204</u>	<u>64,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,803</u>	<u>14,803</u>	<u>(266,181)</u>	<u>(280,984)</u>
Net change in fund balances	14,803	14,803	(266,181)	(280,984)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>127,317</u>	<u>127,317</u>
Fund balances - ending	<u>\$ 14,803</u>	<u>\$ 14,803</u>	<u>\$ (138,864)</u>	<u>\$ (153,667)</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, 2014**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,063	\$ 1,063
Grant drawdowns	-	-	225,000	225,000
Loan repayments	130,149	130,149	353,986	223,837
Miscellaneous	<u>-</u>	<u>-</u>	<u>10,472</u>	<u>10,472</u>
Total revenues	<u>130,149</u>	<u>130,149</u>	<u>590,521</u>	<u>460,372</u>
EXPENDITURES				
Current:				
Community development	<u>127,167</u>	<u>127,167</u>	<u>428,997</u>	<u>(301,830)</u>
Total expenditures	<u>127,167</u>	<u>127,167</u>	<u>428,997</u>	<u>(301,830)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,982</u>	<u>2,982</u>	<u>161,524</u>	<u>158,542</u>
Net change in fund balances	2,982	2,982	161,524	158,542
Fund balances - beginning	<u>192,525</u>	<u>192,525</u>	<u>192,525</u>	<u>-</u>
Fund balances - ending	<u>\$ 195,507</u>	<u>\$ 195,507</u>	<u>\$ 354,049</u>	<u>\$ 158,542</u>

**CITY OF CORCORAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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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 **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 **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 **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, 2014**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments:			
Unrestricted	\$ 340,334	\$ 7,575	\$ 347,909
Cash with fiscal agent:			
Restricted	-	76,502	76,502
Receivables	<u>434,697</u>	<u>-</u>	<u>434,697</u>
 Total assets	 <u>\$ 775,031</u>	 <u>\$ 84,077</u>	 <u>\$ 859,108</u>
LIABILITIES			
Accounts payable	\$ 21,773	\$ -	\$ 21,773
Deposits	<u>700</u>	<u>-</u>	<u>700</u>
 Total liabilities	 <u>22,473</u>	 <u>-</u>	 <u>22,473</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	<u>400,015</u>	<u>-</u>	<u>400,015</u>
 Total deferred inflows of resources	 <u>400,015</u>	 <u>-</u>	 <u>400,015</u>
FUND BALANCES			
Restricted for:			
Debt service	-	84,077	84,077
Community development	39,396	-	39,396
Public safety	163,775	-	163,775
Parks and recreation	58,338	-	58,338
Unassigned	<u>91,034</u>	<u>-</u>	<u>91,034</u>
 Total fund balances	 <u>352,543</u>	 <u>84,077</u>	 <u>436,620</u>
 Total liabilities and fund balances	 <u>\$ 775,031</u>	 <u>\$ 84,077</u>	 <u>\$ 859,108</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 103,810	\$ -	\$ 103,810
Use of money and property	10,032	70,778	80,810
Intergovernmental revenues	8,699	-	8,699
Grant drawdowns	119,098	-	119,098
Repayment of loans	27,840	-	27,840
Miscellaneous	<u>26,324</u>	<u>-</u>	<u>26,324</u>
Total revenues	<u>295,803</u>	<u>70,778</u>	<u>366,581</u>
EXPENDITURES			
Current services:			
General government	7,584	2,644	10,228
Community development	13,475	-	13,475
Parks and recreation	119	-	119
Public safety	31,904	-	31,904
Capital outlay:			
Public works	25,646	-	25,646
Public safety	100,630	-	100,630
Debt service:			
Principal retirement	-	50,000	50,000
Interest and fiscal charges	<u>-</u>	<u>20,781</u>	<u>20,781</u>
Total expenditures	<u>179,358</u>	<u>73,425</u>	<u>252,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,445</u>	<u>(2,647)</u>	<u>113,798</u>
Net change in fund balances	116,445	(2,647)	113,798
Fund balances - beginning	<u>236,098</u>	<u>86,724</u>	<u>322,822</u>
Fund balances - ending	<u>\$ 352,543</u>	<u>\$ 84,077</u>	<u>\$ 436,620</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014**

	Housing Authority Special Revenue Fund	Public Safety	Parks Capital	Economic Development Loan Programs	Assessment Districts	Totals
ASSETS						
Cash and investments:						
Unrestricted	\$ 24,589	\$ 148,726	\$ 58,308	\$ 15,539	\$ 93,172	\$ 340,334
Receivables	<u>323,213</u>	<u>33,268</u>	<u>30</u>	<u>76,817</u>	<u>1,369</u>	<u>434,697</u>
Total assets	<u>\$ 347,802</u>	<u>\$ 181,994</u>	<u>\$ 58,338</u>	<u>\$ 92,356</u>	<u>\$ 94,541</u>	<u>\$ 775,031</u>
LIABILITIES						
Accounts payable	\$ 47	\$ 18,219	\$ -	\$ -	\$ 3,507	\$ 21,773
Deposits	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total liabilities	<u>747</u>	<u>18,219</u>	<u>-</u>	<u>-</u>	<u>3,507</u>	<u>22,473</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>323,198</u>	<u>-</u>	<u>-</u>	<u>76,817</u>	<u>-</u>	<u>400,015</u>
Total deferred inflows of resources	<u>323,198</u>	<u>-</u>	<u>-</u>	<u>76,817</u>	<u>-</u>	<u>400,015</u>
FUND BALANCES						
Restricted for:						
Community development	23,857	-	-	15,539	-	39,396
Public safety	-	163,775	-	-	-	163,775
Parks and recreation	-	-	58,338	-	-	58,338
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,034</u>	<u>91,034</u>
Total fund balances	<u>23,857</u>	<u>163,775</u>	<u>58,338</u>	<u>15,539</u>	<u>91,034</u>	<u>352,543</u>
Total liabilities and fund balances	<u>\$ 347,802</u>	<u>\$ 181,994</u>	<u>\$ 58,338</u>	<u>\$ 92,356</u>	<u>\$ 94,541</u>	<u>\$ 775,031</u>

CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Housing Authority Special Revenue Fund	Public Safety	Parks Capital	Economic Development Loan Programs	Assessment Districts	Totals
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 103,810	\$ 103,810
Licenses and permits						
Intergovernmental revenues	-	-	8,699	-	-	8,699
Use of money and property	9,093	712	127	-	100	10,032
Grant drawdowns	-	119,098	-	-	-	119,098
Repayment of loans	12,304	-	-	15,536	-	27,840
Miscellaneous	774	250	25,300	-	-	26,324
Total revenues	<u>22,171</u>	<u>120,060</u>	<u>34,126</u>	<u>15,536</u>	<u>103,910</u>	<u>295,803</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	7,584	7,584
Community development	12,035	-	-	-	1,440	13,475
Public safety	-	31,904	-	-	-	31,904
Parks and recreation	-	-	119	-	-	119
Capital outlay:						
Public safety	-	100,630	-	-	-	100,630
Public works	-	-	25,646	-	-	25,646
Total expenditures	<u>12,035</u>	<u>132,534</u>	<u>25,765</u>	<u>-</u>	<u>9,024</u>	<u>179,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,136</u>	<u>(12,474)</u>	<u>8,361</u>	<u>15,536</u>	<u>94,886</u>	<u>116,445</u>
Net change in fund balances	10,136	(12,474)	8,361	15,536	94,886	116,445
Fund balances - beginning	<u>13,721</u>	<u>176,249</u>	<u>49,977</u>	<u>3</u>	<u>(3,852)</u>	<u>236,098</u>
Fund balances - ending	<u>\$ 23,857</u>	<u>\$ 163,775</u>	<u>\$ 58,338</u>	<u>\$ 15,539</u>	<u>\$ 91,034</u>	<u>\$ 352,543</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2014**

	Asset Seizure (Unprocessed)	Kings County CDBG	Corcoran Police Explorers	Total
ASSETS				
Cash	\$ 752	\$ 14,783	\$ -	\$ 15,535
Receivables:				
Interest	-	-	-	-
Notes	-	1,111,476	-	1,111,476
Total assets	<u>\$ 752</u>	<u>\$ 1,126,259</u>	<u>\$ -</u>	<u>\$ 1,127,011</u>
LIABILITIES				
Due to other agencies	<u>\$ 752</u>	<u>\$ 1,126,259</u>	<u>\$ -</u>	<u>\$ 1,127,011</u>
Total liabilities	<u>\$ 752</u>	<u>\$ 1,126,259</u>	<u>\$ -</u>	<u>\$ 1,127,011</u>

**CITY OF CORCORAN
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>ASSETS SEIZURES (UNPROCESSED)</u>				
ASSETS				
Cash	\$ 752	\$ -	\$ -	\$ 752
Total assets	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>
LIABILITIES				
Due to other agencies	\$ 752	\$ -	\$ -	\$ 752
Total liabilities	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>
<u>KINGS COUNTY CDBG</u>				
ASSETS				
Cash	\$ 14,645	\$ 25,824	\$ (25,686)	\$ 14,783
Receivables:				
Interest	88	-	(88)	-
Notes	1,135,596	122,604	(146,724)	1,111,476
Total assets	<u>\$ 1,150,329</u>	<u>\$ 148,428</u>	<u>\$ (172,498)</u>	<u>\$ 1,126,259</u>
LIABILITIES				
Due to other agencies	\$ 1,150,329	\$ 148,428	\$ (172,498)	\$ 1,126,259
Total liabilities	<u>\$ 1,150,329</u>	<u>\$ 148,428</u>	<u>\$ (172,498)</u>	<u>\$ 1,126,259</u>
<u>CORCORAN POLICE EXPLORERS</u>				
ASSETS				
Cash	\$ 3,070	\$ -	\$ (3,070)	\$ -
Total assets	<u>\$ 3,070</u>	<u>\$ -</u>	<u>\$ (3,070)</u>	<u>\$ -</u>
LIABILITIES				
Due to other agencies	\$ 3,070	\$ -	\$ (3,070)	\$ -
Total liabilities	<u>\$ 3,070</u>	<u>\$ -</u>	<u>\$ (3,070)</u>	<u>\$ -</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD):			
Passed through the State of California:			
Community Development Block Grants:			
(State Program)	14.228	10-STBG-6706	\$ 312
(State Program)	14.228	12-STBG-8378	<u>558,798</u>
Total Community Development Block Grants			<u>559,110</u>
HOME Investment Partnership Program:			
(State HOME Program)	14.239	12-HOME-8561	<u>2,283</u>
Total HOME Investment Partnership Program			<u>2,283</u>
Total U.S. Department of Housing and Urban Development			<u>561,393</u>
U.S. Department of Transportation (DOT):			
Passed through the State of California:			
Formula Grants for Rural Areas	20.509	6431110	194,895
Highway Planning and Construction	20.205	5223(015)	<u>353,909</u>
Total U.S. Department of Transportation			<u>548,804</u>
Total expenditures of federal awards			<u>\$ 1,110,197</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All enterprise funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported are recognized when incurred.

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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, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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
March 30, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Corcoran, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Corcoran, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
March 30, 2015

FINDINGS AND QUESTIONED COSTS

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**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

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

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

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

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001

Year-End Closing Process

- Condition: We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2014, were not effective, which contributed to the City's unpreparedness for the financial statement audit. We experienced continuing delays throughout the audit process due to the City's inability to provide the requested supporting documents in a timely manner. Additionally, many of the supporting schedules received were either inadequate or incomplete.
- Criteria: An effective control system and timely financial reporting of all financial activity provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.
- Cause: Significant turnover in the City's finance department, as well as a lack of understanding and experience regarding the procedures and requirements necessary to close the accounting records, created an environment unable to produce complete, accurate and timely accounting records and reconciling schedules.
- Effect: The City was not able to close its accounting records and generate adequate year-end reports in a timely manner. As a result, during the performance of the financial statement audit for the year ended June 30, 2014, there were significant delays in receiving the audit documentation and various schedules received required further reconciliation and adjustment. These issues precipitated numerous adjusting journal entries we proposed across all balance sheet and income statement account types in order to avoid material misstatements in the financial statements.
- Recommendation: We recommend the City close its accounting records in a timely manner and have all accounts reconciled and balanced to the general ledger and a detailed review of all financial records be conducted prior to the start of the audit fieldwork. We also recommend that all reconciliations and detailed listings be reviewed to ensure accuracy. We believe this can be accomplished by staff participating in additional training as well as hiring outside accounting professionals to assist in the year-end closing processes. Specifically, we believe that the outside accounting professionals should assist in the preparation and review of all reconciling schedules and related year-end adjusting journal entries.
- Management Response: The City will ensure the closeout of its accounting records including reconciling and balancing accounts to the general ledger prior to the initiation of audit field work. Additionally, all reconciliations and detailed listings will be reviewed for accuracy. To accomplish this, the City will enlist the assistance of an outside accounting firm to carry out the necessary year-end closeout. The City understands that this is a common practice for cities of similar size and financial activity. As such, staff will contact local cities to compile a list of recommended accounting firms that can assist with the audit for the 2014-15 fiscal year and for subsequent audits as needed. Further, staff will participate in training opportunities recommended by the auditing team or other accounting professionals that will benefit the City.

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported