

**CITY OF CORCORAN
CALIFORNIA**

FINANCIAL STATEMENTS

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

**CITY OF CORCORAN
JUNE 30, 2015**

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JUNE 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 15 in the financial statements, effective July 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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 budgetary comparison information on pages 60-64, Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of the City's Proportionate Share of Net Pension Liability on page 65, and the Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions on page 66 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 28, 2016, 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 28, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments:			
Unrestricted	\$ 4,665,124	\$ 8,558,662	\$ 13,223,786
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	76,503	729,264	805,767
Receivables	13,462,741	947,665	14,410,406
Property held for resale	2,463,013	-	2,463,013
Capital assets:			
Non-depreciable	1,187,285	2,076,293	3,263,578
Depreciable, net of accumulated depreciation	<u>10,519,826</u>	<u>25,820,157</u>	<u>36,339,983</u>
Total assets	<u>32,374,492</u>	<u>38,201,747</u>	<u>70,576,239</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derivative instrument - interest rate swap	-	3,286,790	3,286,790
Deferred outflows of resources related to pensions	<u>773,671</u>	<u>86,826</u>	<u>860,497</u>
Total deferred outflows of resources	<u>773,671</u>	<u>3,373,616</u>	<u>4,147,287</u>
LIABILITIES			
Accounts payable	995,636	512,360	1,507,996
Deposits	56,580	-	56,580
Interest payable	-	123,349	123,349
Unearned revenues	-	24,331	24,331
Derivative instrument - interest rate swap	-	3,286,790	3,286,790
Noncurrent liabilities:			
Due within one year:			
Note payable	-	70,182	70,182
Certificates of participation	140,000	605,000	745,000
Compensated absences	165,393	29,557	194,950
Due in more than one year:			
Note payable	-	200,324	200,324
Certificates of participation	-	20,280,025	20,280,025
Compensated absences	116,604	4,887	121,491
Net pension liability	<u>4,807,618</u>	<u>780,629</u>	<u>5,588,247</u>
Total liabilities	<u>6,281,831</u>	<u>25,917,434</u>	<u>32,199,265</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>1,214,922</u>	<u>300,789</u>	<u>1,515,711</u>
Total deferred inflows of resources	<u>1,214,922</u>	<u>300,789</u>	<u>1,515,711</u>
NET POSITION			
Net investment in capital assets	11,567,111	6,740,919	18,308,030
Restricted for:			
Community development	266,053	-	266,053
Public safety	215,391	-	215,391
Transportation and streets	1,790,977	-	1,790,977
Parks and recreation	92,584	-	92,584
Unrestricted	<u>11,719,294</u>	<u>8,616,221</u>	<u>20,335,515</u>
Total net position	<u>\$ 25,651,410</u>	<u>\$ 15,357,140</u>	<u>\$ 41,008,550</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, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 637,234	\$ -	\$ -	\$ -	\$ (637,234)	\$ -	\$ (637,234)
Community development	675,564	43,939	173,448	-	(458,177)	-	(458,177)
Public safety	4,067,938	32,015	328,292	-	(3,707,631)	-	(3,707,631)
Public works	1,098,167	-	795,537	-	(302,630)	-	(302,630)
Parks and recreation	430,546	-	-	-	(430,546)	-	(430,546)
Interest on long-term debt	16,188	-	-	-	(16,188)	-	(16,188)
Total governmental activities	6,925,637	75,954	1,297,277	-	(5,552,406)	-	(5,552,406)
Business-type activities:							
Water	4,459,127	4,188,051	-	-	-	(271,076)	(271,076)
Sewer	1,145,897	999,782	-	-	-	(146,115)	(146,115)
Refuse	1,771,472	1,691,462	-	-	-	(80,010)	(80,010)
Storm drain	405,548	312,919	-	-	-	(92,629)	(92,629)
Transit	758,071	80,868	1,069,741	697,743	-	1,090,281	1,090,281
Total business-type activities	8,540,115	7,273,082	1,069,741	697,743	-	500,451	500,451
Total	\$ 15,465,752	\$ 7,349,036	\$ 2,367,018	\$ 697,743	(5,552,406)	500,451	(5,051,955)
General revenues:							
Taxes:							
Property taxes					368,866	-	368,866
Sales and use taxes					1,059,970	-	1,059,970
Franchise taxes					251,543	-	251,543
Other taxes					253,094	-	253,094
Motor vehicle in-lieu					2,124,586	-	2,124,586
Investment income					5,174	14,163	19,337
Rental income					402,489	3,600	406,089
Miscellaneous					410,370	634,371	1,044,741
Total general revenues					4,876,092	652,134	5,528,226
Change in net position					(676,314)	1,152,585	476,271
Net position - beginning, restated					26,327,724	14,204,555	40,532,279
Net position - ending					\$ 25,651,410	\$ 15,357,140	\$ 41,008,550

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, 2015

	General Fund	Transportation and Streets 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	\$ 2,271,906	\$ 1,824,969	\$ -	\$ 206,643	\$ 361,606	\$ 4,665,124
Cash with fiscal agent:						
Restricted	-	-	-	-	76,503	76,503
Receivables	239,816	1,119	5,242,678	7,645,166	333,964	13,462,743
Property held for resale	<u>2,463,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,463,013</u>
 Total assets	 <u>\$ 4,974,735</u>	 <u>\$ 1,826,088</u>	 <u>\$ 5,242,678</u>	 <u>\$ 7,851,809</u>	 <u>\$ 772,073</u>	 <u>\$ 20,667,383</u>
LIABILITIES						
Accounts payable	\$ 534,080	\$ 35,111	\$ 425,311	\$ -	\$ 1,134	\$ 995,636
Deposits	<u>55,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>	<u>56,580</u>
 Total liabilities	 <u>589,960</u>	 <u>35,111</u>	 <u>425,311</u>	 <u>-</u>	 <u>1,834</u>	 <u>1,052,216</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>-</u>	<u>-</u>	<u>4,810,396</u>	<u>7,638,219</u>	<u>260,193</u>	<u>12,708,808</u>
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>	 <u>4,810,396</u>	 <u>7,638,219</u>	 <u>260,193</u>	 <u>12,708,808</u>
FUND BALANCES						
Nonspendable:						
Property held for resale	2,463,013	-	-	-	-	2,463,013
Restricted for:						
Debt service	-	-	-	-	81,448	81,448
Community development	-	-	6,971	213,590	45,492	266,053
Public safety	40,000	-	-	-	175,391	215,391
Transportation and streets	-	1,790,977	-	-	-	1,790,977
Parks and recreation	-	-	-	-	92,584	92,584
Unassigned	<u>1,881,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,131</u>	<u>1,996,893</u>
 Total fund balances	 <u>4,384,775</u>	 <u>1,790,977</u>	 <u>6,971</u>	 <u>213,590</u>	 <u>510,046</u>	 <u>6,906,359</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,974,735</u>	 <u>\$ 1,826,088</u>	 <u>\$ 5,242,678</u>	 <u>\$ 7,851,809</u>	 <u>\$ 772,073</u>	 <u>\$ 20,667,383</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, 2015**

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

Total fund balances - governmental funds	\$	6,906,359
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.		11,707,111
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental		12,708,805
Pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds. These amounts consist of:		
Deferred outflows of resources	773,671	
Deferred inflows of resources	<u>(1,214,922)</u>	(441,251)
Long-term liabilities were not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Compensated absences	(281,997)	
Net pension liability	(4,807,617)	
Certificates of participation	<u>(140,000)</u>	<u>(5,229,614)</u>
Net position of governmental activities	\$	<u>25,651,410</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, 2015

	General Fund	Transportation and Streets Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 337,178	\$ -	\$ -	\$ -	\$ 39,133	\$ 376,311
Other taxes	1,356,103	-	-	-	-	1,356,103
Licenses and permits	206,623	-	-	-	-	206,623
Intergovernmental revenues	2,221,505	760,857	-	-	34,149	3,016,511
Charges for services	80,338	-	-	-	-	80,338
Fines and penalties	27,854	-	-	-	-	27,854
Use of money and property	317,253	2,689	95	381	88,482	408,900
Grant drawdowns	375,233	353,909	405,444	6,849	105,463	1,246,898
Loan repayments	-	-	120,661	170,667	12,735	304,063
Miscellaneous	408,398	-	12,104	-	35,284	455,786
Total revenues	<u>5,330,485</u>	<u>1,117,455</u>	<u>538,304</u>	<u>177,897</u>	<u>315,246</u>	<u>7,479,387</u>
EXPENDITURES						
Current:						
General government	546,338	-	-	-	4,458	550,796
Community development	-	-	408,008	318,356	4,886	731,250
Public safety	3,992,068	-	-	-	17,638	4,009,706
Public works	344,755	583,463	-	-	13,410	941,628
Parks and recreation	326,090	-	-	-	507	326,597
Capital outlay:						
General government	17,000	-	-	-	-	17,000
Public safety	-	-	-	-	109,194	109,194
Public works	-	98,040	-	-	-	98,040
Debt service:						
Principal retirement	-	-	-	-	60,000	60,000
Interest and fiscal charges	-	-	-	-	16,188	16,188
Total expenditures	<u>5,226,251</u>	<u>681,503</u>	<u>408,008</u>	<u>318,356</u>	<u>226,281</u>	<u>6,860,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>104,234</u>	<u>435,952</u>	<u>130,296</u>	<u>(140,459)</u>	<u>88,965</u>	<u>618,988</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	15,539	-	-	15,539
Operating transfers out	-	-	-	-	(15,539)	(15,539)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,539</u>	<u>-</u>	<u>(15,539)</u>	<u>-</u>
Net change in fund balances	104,234	435,952	145,835	(140,459)	73,426	618,988
Fund balances - beginning, as restated	<u>4,280,541</u>	<u>1,355,025</u>	<u>(138,864)</u>	<u>354,049</u>	<u>436,620</u>	<u>6,287,371</u>
Fund balances - ending	<u>\$ 4,384,775</u>	<u>\$ 1,790,977</u>	<u>\$ 6,971</u>	<u>\$ 213,590</u>	<u>\$ 510,046</u>	<u>\$ 6,906,359</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, 2015

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

Net change in fund balances - total governmental funds	\$	618,988
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.		207,235
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.		(588,860)
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.		134,049
The issuance of long-term debt (e.g., 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.		60,000
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds.		
Net pension liability		1,105,667
Deferred outflows of resources		148,709
Deferred inflows of resources		(1,214,922)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>(1,147,180)</u>
Change in net position of governmental activities	\$	<u>(676,314)</u>

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2015**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 6,402,841	\$ 932,517	\$ 101,464	\$ 902,473	\$ 219,367	\$ 8,558,662
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	729,264	-	-	-	-	729,264
Receivables	<u>241,743</u>	<u>124,685</u>	<u>194,803</u>	<u>345,884</u>	<u>40,550</u>	<u>947,665</u>
Total current assets	<u>7,443,554</u>	<u>1,057,202</u>	<u>296,267</u>	<u>1,248,357</u>	<u>259,917</u>	<u>10,305,297</u>
Noncurrent assets:						
Advances to other funds	373,900	-	-	-	-	373,900
Capital assets:						
Nondepreciable	753,952	281,050	-	994,638	46,653	2,076,293
Depreciable, net of accumulated depreciation	<u>21,225,847</u>	<u>2,305,325</u>	<u>649</u>	<u>686,161</u>	<u>1,602,175</u>	<u>25,820,157</u>
Total noncurrent assets	<u>22,353,699</u>	<u>2,586,375</u>	<u>649</u>	<u>1,680,799</u>	<u>1,648,828</u>	<u>28,270,350</u>
Total assets	<u>29,797,253</u>	<u>3,643,577</u>	<u>296,916</u>	<u>2,929,156</u>	<u>1,908,745</u>	<u>38,575,647</u>
DEFERRED OUTFLOWS OF RESOURCES						
Derivative instrument - interest rate swap	3,286,790	-	-	-	-	3,286,790
Contributions to pension plan in current fiscal year	30,356	15,849	3,368	26,088	4,224	79,885
Deferred outflows of resources related to pensions	<u>2,750</u>	<u>1,182</u>	<u>221</u>	<u>2,485</u>	<u>303</u>	<u>6,941</u>
Total deferred outflows of resources	<u>3,319,896</u>	<u>17,031</u>	<u>3,589</u>	<u>28,573</u>	<u>4,527</u>	<u>3,373,616</u>
LIABILITIES						
Current liabilities:						
Accounts payable	284,167	48,794	121,826	55,953	1,620	512,360
Interest payable	123,349	-	-	-	-	123,349
Unearned revenue	-	-	-	24,331	-	24,331
Compensated absences	14,478	7,843	603	5,772	861	29,557
Certificates of participation	605,000	-	-	-	-	605,000
Notes payable	<u>63,883</u>	<u>6,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,182</u>
Total current liabilities	<u>1,090,877</u>	<u>62,936</u>	<u>122,429</u>	<u>86,056</u>	<u>2,481</u>	<u>1,364,779</u>
Noncurrent liabilities:						
Derivative instrument - interest rate swap	3,286,790	-	-	-	-	3,286,790
Compensated absences	4,887	-	-	-	-	4,887
Advances from other funds	-	-	-	-	373,900	373,900
Certificates of participation	20,280,025	-	-	-	-	20,280,025
Notes payable	200,324	-	-	-	-	200,324
Net pension liability	<u>294,755</u>	<u>204,095</u>	<u>36,166</u>	<u>229,709</u>	<u>15,904</u>	<u>780,629</u>
Total noncurrent liabilities	<u>24,066,781</u>	<u>204,095</u>	<u>36,166</u>	<u>229,709</u>	<u>389,804</u>	<u>24,926,555</u>
Total liabilities	<u>25,157,658</u>	<u>267,031</u>	<u>158,595</u>	<u>315,765</u>	<u>392,285</u>	<u>26,291,334</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	<u>113,068</u>	<u>61,810</u>	<u>13,464</u>	<u>95,845</u>	<u>16,602</u>	<u>300,789</u>
Total deferred inflows of resources	<u>113,068</u>	<u>61,810</u>	<u>13,464</u>	<u>95,845</u>	<u>16,602</u>	<u>300,789</u>
NET POSITION						
Net investment in capital assets	830,567	2,580,076	649	1,680,799	1,648,828	6,740,919
Restricted for:						
Debt service	798,970	-	-	-	-	798,970
Unrestricted	<u>6,216,886</u>	<u>751,691</u>	<u>127,797</u>	<u>865,320</u>	<u>(144,443)</u>	<u>7,817,251</u>
Total net position	<u>7,846,423</u>	<u>3,331,767</u>	<u>128,446</u>	<u>2,546,119</u>	<u>1,504,385</u>	<u>15,357,140</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,117,149</u>	<u>\$ 3,660,608</u>	<u>\$ 300,505</u>	<u>\$ 2,957,729</u>	<u>\$ 1,913,272</u>	<u>\$ 41,949,263</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, 2015

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,188,007	\$ 999,782	\$ 1,691,460	\$ 80,868	\$ 304,182	\$ 7,264,299
Connection fees	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,735</u>	<u>8,778</u>
Total operating revenues	<u>4,188,050</u>	<u>999,782</u>	<u>1,691,460</u>	<u>80,868</u>	<u>312,917</u>	<u>7,273,077</u>
OPERATING EXPENSES:						
Personnel costs	431,446	242,672	48,234	343,416	60,267	1,126,035
Maintenance and supplies	1,882,790	493,835	1,518,684	67,826	30,271	3,993,406
Depreciation	1,087,149	202,643	865	50,352	90,608	1,431,617
Amortization	22,632	-	-	-	-	22,632
Administrative and allocated costs	<u>316,117</u>	<u>205,284</u>	<u>203,688</u>	<u>296,476</u>	<u>224,402</u>	<u>1,245,967</u>
Total operating expenses	<u>3,740,134</u>	<u>1,144,434</u>	<u>1,771,471</u>	<u>758,070</u>	<u>405,548</u>	<u>7,819,657</u>
Operating income (loss)	<u>447,916</u>	<u>(144,652)</u>	<u>(80,011)</u>	<u>(677,202)</u>	<u>(92,631)</u>	<u>(546,580)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	11,254	1,376	299	766	468	14,163
Rental income	-	-	-	3,600	-	3,600
Grants	-	-	-	360,481	-	360,481
Development fees	46,480	187,322	-	697,743	-	931,545
Intergovernmental	-	-	-	709,260	-	709,260
Other revenues	630	125	6,365	615	-	7,735
Insurance income	392,835	-	-	-	-	392,835
Interest and fiscal charges	<u>(718,992)</u>	<u>(1,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(720,454)</u>
Total nonoperating revenues (expenses)	<u>(267,793)</u>	<u>187,361</u>	<u>6,664</u>	<u>1,772,465</u>	<u>468</u>	<u>1,699,165</u>
Change in net position	180,123	42,709	(73,347)	1,095,263	(92,163)	1,152,585
Net position - beginning, as restated	<u>7,666,300</u>	<u>3,289,058</u>	<u>201,793</u>	<u>1,450,856</u>	<u>1,596,548</u>	<u>14,204,555</u>
Net position - ending	<u>\$ 7,846,423</u>	<u>\$ 3,331,767</u>	<u>\$ 128,446</u>	<u>\$ 2,546,119</u>	<u>\$ 1,504,385</u>	<u>\$ 15,357,140</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, 2015**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,272,253	\$ 1,007,206	\$ 1,686,090	\$ (616,875)	\$ 313,079	\$ 6,661,753
Cash payments to suppliers for goods and services	(1,899,474)	(489,577)	(1,500,291)	(59,396)	(29,763)	(3,978,501)
Cash payments to employees for services	(436,612)	(244,252)	(49,094)	(343,332)	(60,483)	(1,133,773)
Cash payments to other funds for allocated costs	<u>(316,117)</u>	<u>(205,284)</u>	<u>(203,688)</u>	<u>(296,476)</u>	<u>(224,402)</u>	<u>(1,245,967)</u>
Net cash provided (used) by operating activities	<u>1,620,050</u>	<u>68,093</u>	<u>(66,983)</u>	<u>(1,316,079)</u>	<u>(1,569)</u>	<u>303,512</u>
Cash flows from noncapital financing activities:						
Cash received from intergovernmental revenues	-	-	-	902,188	-	902,188
Cash received from developer fees	46,480	187,322	-	697,743	-	931,545
Cash received from other revenue	<u>630</u>	<u>125</u>	<u>6,365</u>	<u>615</u>	<u>-</u>	<u>7,735</u>
Net cash provided (used) by noncapital financing activities	<u>47,110</u>	<u>187,447</u>	<u>6,365</u>	<u>1,600,546</u>	<u>-</u>	<u>1,841,468</u>
Cash flows from capital and related financing activities:						
Cash payments for principal paid on capital debt	(642,349)	(34,860)	-	-	-	(677,209)
Cash payments for interest on capital debt	(722,566)	(1,462)	-	-	-	(724,028)
Cash payments for the acquisition of capital assets	(257,849)	-	-	(984,450)	-	(1,242,299)
Cash received from capital related insurance settlement	<u>392,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,835</u>
Net cash provided (used) by capital and related financing activities	<u>(1,229,929)</u>	<u>(36,322)</u>	<u>-</u>	<u>(984,450)</u>	<u>-</u>	<u>(2,250,701)</u>
Cash flows from investing activities:						
Cash received from interest on investments	10,803	1,239	265	868	446	13,621
Cash received from the rental of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>
Net cash provided (used) by investing activities	<u>10,803</u>	<u>1,239</u>	<u>265</u>	<u>4,468</u>	<u>446</u>	<u>17,221</u>
Increase (decrease) in cash and cash equivalents	448,034	220,457	(60,353)	(695,515)	(1,123)	(88,500)
Cash and cash equivalents, July 1, 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>
Cash and cash equivalents, June 30, 2015	<u>\$ 7,201,811</u>	<u>\$ 932,517</u>	<u>\$ 101,464</u>	<u>\$ 902,473</u>	<u>\$ 219,367</u>	<u>\$ 9,357,632</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, 2015**

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)	\$ 447,916	\$ (144,652)	\$ (80,011)	\$ (677,202)	\$ (92,631)	\$ (546,580)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,087,149	202,643	865	50,352	90,608	1,431,617
Amortization	22,632	-	-	-	-	22,632
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	84,203	7,423	(5,369)	-	162	86,419
(Increase) decrease in prepaid expenses	5,403	5,271	1,658	5,447	586	18,365
(Increase) decrease in deferred outflows of resources	(1,472)	2,764	68	(4,855)	(2,298)	(5,793)
Increase (decrease) in accounts payable	(22,087)	(1,013)	16,735	2,983	(78)	(3,460)
Increase (decrease) in compensated absences	(3,419)	(1,139)	(822)	1,810	(121)	(3,691)
Increase (decrease) in unearned revenue	-	-	-	(697,743)	-	(697,743)
Increase (decrease) in deferred inflows of resources	113,068	61,810	13,464	95,845	16,602	300,789
Increase (decrease) in net pension liability	(113,343)	(65,014)	(13,571)	(92,716)	(14,399)	(299,043)
Net cash provided (used) by operating activities	<u>\$ 1,620,050</u>	<u>\$ 68,093</u>	<u>\$ (66,983)</u>	<u>\$ (1,316,079)</u>	<u>\$ (1,569)</u>	<u>\$ 303,512</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 6,402,841	\$ 932,517	\$ 101,464	\$ 902,473	\$ 219,367	\$ 8,558,662
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>729,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>729,264</u>
Total Cash and cash equivalents	<u>\$ 7,201,811</u>	<u>\$ 932,517</u>	<u>\$ 101,464</u>	<u>\$ 902,473</u>	<u>\$ 219,367</u>	<u>\$ 9,357,632</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 NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds	Successor Agency Private Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 16,775	\$ 233,142
Cash with fiscal agent	-	276,594
Receivables:		
Notes	1,029,498	-
Property held for resale	-	596,277
Capital assets, net	<u> </u>	<u>3,167,632</u>
 Total assets	 <u>\$ 1,046,273</u>	 <u>\$ 4,273,645</u>
LIABILITIES		
Bond payable	\$ -	\$ 2,923,869
Due to other agencies	<u>1,046,273</u>	<u>11,053</u>
 Total liabilities	 <u>1,046,273</u>	 <u>2,934,922</u>
NET POSITION		
Held in trust	<u>\$ -</u>	<u>\$ 1,338,723</u>

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

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

	<u>Successor Agency Private Purpose Trust Fund</u>
ADDITIONS	
Taxes	<u>\$ 613,153</u>
Total additions	<u>613,153</u>
DEDUCTIONS	
Planning and community development	316,448
Depreciation	125,960
Amortization	12,161
Interest	<u>148,541</u>
Total deductions	<u>603,110</u>
Change in net position	<u>10,043</u>
Net position - beginning	732,403
Prior period adjustment	<u>596,277</u>
Net position - beginning, restated	<u>1,328,680</u>
Net position - ending	<u><u>\$ 1,338,723</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, 2015

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.

A primary government is financially accountable, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Based upon the application of these criteria, the following is a brief description of each component unit included within the City's reporting entity. All such component units have been "blended" as though they are part of the primary government because the component unit's governing body is substantially the same as the City's primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it, or the City is entirely or almost entirely responsible for the repayment of the debt of the component unit.

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, 2015

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 Streets 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, 2015

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 **Cafeteria Plan Fund** accounts for the moneys deducted from employees for their Cafeteria Plan.
- The **Successor Agency Private Purpose 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, 2015

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.

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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 unavailable 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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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 \$5,000. 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.

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.

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).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 10 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Fund Balance (continued)

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

Encumbrances

The City does not use encumbrance accounting.

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.

Pronouncements

New Accounting Pronouncements Adopted

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.

As of July 1, 2014, the City adopted the provisions of GASB Statement No. 68 and restated the beginning net position of the City's governmental activities, business-type activities, enterprise funds, internal service funds, and the private purpose trust fund to record the net pension liability (see Note 15). The implementation of GASB Statement No. 68 enhanced the City's pension disclosures as described in Note 10 and required supplementary information.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Adopted (Continued)

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 were considered but had no effect on the City for the current fiscal year.

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 Statement 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 nonemployer contributing entity to a defined benefit 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.

As of July 1, 2014, the City adopted the provisions of GASB Statement No. 71 and restated the beginning net position of the City's governmental activities, business-type activities, enterprise funds, internal service funds, and the private purpose trust fund to record the beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability (see Note 15).

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Application of Statement No. 77 is effective for the City's fiscal year ending June 30, 2017.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
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, 2015 is as follows:

Cash on hand	\$ 1,500
Deposits with financial institutions	1,547,582
Investments	<u>13,076,688</u>
 Total cash and investments	 <u>\$ 14,625,770</u>
 Government-Wide:	
Statement of Net Position:	
Cash and investments	\$ 13,293,492
Cash with fiscal agent	805,767
Fiduciary Funds:	
Statement of Net Position:	
Cash and investments	249,917
Cash with fiscal agent	<u>276,594</u>
 Total cash and investments	 <u>\$ 14,625,770</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s 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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

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	\$ 12,354,497	\$ 12,354,497	\$ -	\$ -	\$ -
RMA investment pool	137,577	137,577	-	-	-
Held by bond trustee:					
Money market funds	584,614	584,614	-	-	-
Total	\$ 13,076,688	\$ 13,076,688	\$ -	\$ -	\$ -

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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	\$ 12,354,497	\$ -	\$ -	\$ -	\$ 12,354,497
RMA investment pool	137,577	-	-	-	137,577
Held by bond trustee:					
Money market funds	<u>584,614</u>	<u>-</u>	<u>-</u>	<u>508,110</u>	<u>76,504</u>
Total	<u>\$ 13,076,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,110</u>	<u>\$ 12,568,578</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond 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, 2015, the carrying amount of the City’s bank deposits was \$1,547,582 and the respective bank balances totaled \$586,538. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$336,538 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.

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2015 balance was \$12,354,497. A breakdown of the investments included in the balance is not available at the balance sheet date.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2015 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	\$ 33,530	\$ -	\$ 405,444	\$ -	\$ -	\$ 438,974
Interest	717	1,119	127	98	287	2,348
Other	205,569	-	26,711	6,849	73,484	312,613
Notes	-	-	4,810,396	7,638,219	260,193	12,708,808
Receivables, net	<u>\$ 239,816</u>	<u>\$ 1,119</u>	<u>\$ 5,242,678</u>	<u>\$ 7,645,166</u>	<u>\$ 333,964</u>	<u>\$ 13,462,743</u>

Receivables as of June 30, 2015 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 270,729	\$ 133,068	\$ 198,660	\$ -	\$ 42,307	\$ 644,764
Interest	3,935	523	103	269	138	4,968
Intergovernmental	-	-	-	345,615	-	345,615
Other	(634)	-	9,667	-	-	9,033
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>\$ 241,743</u>	<u>\$ 124,685</u>	<u>\$ 194,803</u>	<u>\$ 345,884</u>	<u>\$ 40,550</u>	<u>\$ 947,665</u>

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

NOTE 4 – INTERFUND TRANSACTIONS

Long-Term Interfund Advances

At June 30, 2015, 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 City has transferred \$15,539 of remaining fund balance from the Economic Development Loan Programs special revenue fund to the Transportation and Streets special revenue fund to close out the fund. Transfers within fund types have been eliminated with the government-wide financial statements.

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
Community Development Block Grant Special Revenue Fund	\$ 15,539	\$ -
Nonmajor Funds:		
Economic Development Loan Programs Special Revenue Fund	-	15,539
Total	\$ 15,539	\$ 15,539

NOTE 5 – NOTES RECEIVABLE / UNAVAILABLE REVENUE

Notes receivable consisted of the following as of June 30, 2015:

	Major Funds		Nonmajor Funds	
	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Fund	Housing Authority Special Revenue Fund	Total
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	\$ 4,810,396	\$ -	\$ 260,193	\$ 5,070,589
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	7,638,219	-	7,638,219
Total notes receivable	\$ 4,810,396	\$ 7,638,219	\$ 260,193	\$ 12,708,808

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

NOTE 5 – NOTES RECEIVABLE / UNAVAILABLE REVENUE (Continued)

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 receive full reimbursement for these loans, such loans are also included as receivables in the in the financial statements.

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 502,027	\$ -	\$ -	\$ 502,027
Construction in progress	670,036	-	-	670,036
Infrastructure in progress	<u>1,147,375</u>	<u>98,040</u>	<u>(1,230,193)</u>	<u>15,222</u>
Total capital assets not being depreciated	<u>2,319,438</u>	<u>98,040</u>	<u>(1,230,193)</u>	<u>1,187,285</u>
Capital assets being depreciated:				
Buildings and other improvements	6,642,014	-	-	6,642,014
Machinery and equipment	2,145,676	43,372	-	2,189,048
Infrastructure	6,254,496	1,230,193	-	7,484,689
Vehicles	<u>1,088,400</u>	<u>65,823</u>	-	<u>1,154,223</u>
Total capital assets being depreciated	<u>16,130,586</u>	<u>1,339,388</u>	<u>-</u>	<u>17,469,974</u>
Less accumulated depreciation for:				
Buildings and other improvements	(2,709,090)	(218,854)	-	(2,927,944)
Machinery and equipment	(1,839,820)	(108,892)	-	(1,948,712)
Infrastructure	(973,306)	(188,087)	-	(1,161,393)
Vehicles	<u>(839,072)</u>	<u>(73,027)</u>	-	<u>(912,099)</u>
Total accumulated depreciation	<u>(6,361,288)</u>	<u>(588,860)</u>	<u>-</u>	<u>(6,950,148)</u>
Total capital assets being depreciated, net	<u>9,769,298</u>	<u>750,528</u>	<u>-</u>	<u>10,519,826</u>
Governmental activities capital assets, net	<u>\$ 12,088,736</u>	<u>\$ 848,568</u>	<u>\$ (1,230,193)</u>	<u>\$ 11,707,111</u>

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

NOTE 6 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	\$ 124,836
Community development	570
Public safety	148,736
Public works	207,159
Parks and recreation	<u>107,559</u>
 Total	 <u>\$ 588,860</u>

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	<u>133,716</u>	<u>956,594</u>	<u>-</u>	<u>1,090,310</u>
Total capital assets not being depreciated	<u>1,119,699</u>	<u>956,594</u>	<u>-</u>	<u>2,076,293</u>
Capital assets being depreciated:				
Utility systems	46,608,737	145,031	-	46,753,768
Machinery and equipment	1,541,858	140,675	-	1,682,533
Vehicles	<u>1,235,128</u>	<u>-</u>	<u>-</u>	<u>1,235,128</u>
Total capital assets being depreciated	<u>49,385,723</u>	<u>285,706</u>	<u>-</u>	<u>49,671,429</u>
Less accumulated depreciation for:				
Utility systems	(20,221,392)	(1,301,581)	-	(21,522,973)
Machinery and equipment	(1,034,486)	(104,490)	-	(1,138,976)
Vehicles	<u>(1,163,777)</u>	<u>(25,546)</u>	<u>-</u>	<u>(1,189,323)</u>
Total accumulated depreciation	<u>(22,419,655)</u>	<u>(1,431,617)</u>	<u>-</u>	<u>(23,851,272)</u>
Total capital assets being depreciated, net	<u>26,966,068</u>	<u>(1,145,911)</u>	<u>-</u>	<u>25,820,157</u>
Business-type activities capital assets, net	<u>\$ 28,085,767</u>	<u>\$ (189,317)</u>	<u>\$ -</u>	<u>\$ 27,896,450</u>

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

Business-Type Activities:	
Water	\$ 1,087,149
Sewer	202,643
Refuse	865
Transit	50,352
Storm Drain	<u>90,608</u>
 Total	 <u>\$ 1,431,617</u>

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

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 \$116,604 for governmental activities and \$4,887 for business-type activities at June 30, 2015, is expected to be paid in future years from future resources.

At June 30, 2015, the current balance is \$281,997 for governmental activities, and \$34,444 for the business-type activities.

	<u>Balance July 1, 2014</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Compensated absences	\$ 416,046	\$ 201,010	\$ (335,059)	\$ 281,997	\$ 165,393	\$ 116,604
Business-Type Activities:						
Compensated absences	\$ 38,135	\$ 42,981	\$ (46,672)	\$ 34,444	\$ 29,557	\$ 4,887

NOTE 8 – LONG-TERM DEBT

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

	<u>Balance July 1, 2014</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Certificates of participation	\$ 200,000	\$ -	\$ (60,000)	\$ 140,000	\$ 140,000	\$ -
Net pension liability	5,913,285	1,043,883	(2,149,550)	4,807,618	-	4,807,618
Total governmental activities	<u>\$ 6,113,285</u>	<u>\$ 1,043,883</u>	<u>\$ (2,209,550)</u>	<u>\$ 4,947,618</u>	<u>\$ 140,000</u>	<u>\$ 4,807,618</u>

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

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, 2015:

Fiscal Year Ending	1992 Certificates of Participation		
	Principal	Interest	Total
2016	\$ 140,000	\$ 10,937	\$ 150,937
Totals	<u>\$ 140,000</u>	<u>\$ 10,937</u>	<u>\$ 150,937</u>

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2015:

	Balance July 1, 2014	Incurred or Issued	Satisfied or Matured	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 326,556	\$ -	\$ (62,349)	\$ 264,207	\$ 63,883	\$ 200,324
2008 Certificates of Participation	17,265,000	-	(430,000)	16,835,000	450,000	16,385,000
2008 Certificates of Participation - Deferred Refunding	(344,744)	-	16,417	(328,327)	-	(328,327)
2008 Certificates of Participation - Bond Discount	(127,863)	-	6,215	(121,648)	-	(121,648)
State Water Quality Control Fund Loans (Sewer Fund)	41,159	-	(34,860)	6,299	6,299	-
2012 A Water Revenue Refunding Bonds	4,650,000	-	(150,000)	4,500,000	155,000	4,345,000
Net pension liability	<u>1,079,674</u>	<u>273,385</u>	<u>(572,430)</u>	<u>780,629</u>	<u>-</u>	<u>780,629</u>
Total business-type activities	<u>\$ 22,889,782</u>	<u>\$ 273,385</u>	<u>\$ (1,227,007)</u>	<u>\$ 21,936,160</u>	<u>\$ 675,182</u>	<u>\$ 21,260,978</u>

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.

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

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable (Continued)

The following is a schedule of the future estimated minimum payments related to the Davis-Grunsky Loan at June 30, 2015:

<u>Fiscal Years Ending</u>	<u>Davis-Grunsky Loan (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 63,883	\$ 5,383	\$ 69,266
2017	65,269	3,883	69,152
2018	66,655	2,349	69,004
2019	<u>68,400</u>	<u>786</u>	<u>69,186</u>
Totals	<u>\$ 264,207</u>	<u>\$ 12,401</u>	<u>\$ 276,608</u>

State Water Quality Control Fund Loans (Sewer Fund)

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

The following is a schedule of the future estimated minimum payments related to the State Water Quality Fund Loans at June 30, 2015:

<u>Fiscal Year Ending</u>	<u>State Water Quality Control Fund Loans (Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,299	\$ 43	\$ 6,342
Totals	<u>\$ 6,299</u>	<u>\$ 43</u>	<u>\$ 6,342</u>

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%.

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

NOTE 8 – LONG-TERM DEBT (Continued)

2008 Certificates of Participation (Water Fund) (Continued)

The following is a schedule of the future estimated payments related to the 2008 Certificates of Participation at June 30, 2015:

<u>Fiscal Years Ending</u>	<u>2008 Certificates of Participation (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 450,000	\$ 617,892	\$ 1,067,892
2017	475,000	600,687	1,075,687
2018	495,000	582,645	1,077,645
2019	520,000	563,766	1,083,766
2020	545,000	543,957	1,088,957
2021-2025	3,130,000	2,388,798	5,518,798
2026-2030	3,935,000	1,734,543	5,669,543
2031-2035	4,960,000	910,470	5,870,470
2036-2037	<u>2,325,000</u>	<u>87,513</u>	<u>2,412,513</u>
Totals	<u>\$ 16,835,000</u>	<u>\$ 8,030,271</u>	<u>\$ 24,865,271</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.

Fair Value. The Counterparty informed the City that as of June 30, 2015, the swap had a fair value of (\$3,286,790). The Counterparty states that the valuation is based on a proprietary model.

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

NOTE 8 – LONG-TERM DEBT (Continued)

2008 Certificates of Participation (Water Fund) (Continued)

Credit Risk. As of June 30, 2015, 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, 2015:

Fiscal Years Ending	2012A Water Revenue Refunding Bonds		
	Principal	Interest	Total
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	175,000	133,537	308,537
2021-2025	950,000	585,937	1,535,937
2026-2030	1,105,000	427,175	1,532,175
2031-2035	1,325,000	215,068	1,540,068
2036	<u>295,000</u>	<u>11,800</u>	<u>306,800</u>
Totals	<u>\$ 4,500,000</u>	<u>\$ 1,957,169</u>	<u>\$ 6,457,169</u>

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

NOTE 9 – DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items to report in this category, which are \$3,286,790 related to a derivative instrument – interest rate swap, and \$860,497 related to deferred outflows of resources related to pensions (see Note 10 for detailed information).

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

- The City has \$1,515,711 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 10.
- Unavailable revenues arise only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Loans	\$ 4,810,396	\$ 7,638,219	\$ 260,193	\$ 12,708,808
	<u>\$ 4,810,396</u>	<u>\$ 7,638,219</u>	<u>\$ 260,193</u>	<u>\$ 12,708,808</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

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

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous and Safety "Classic" plans are closed to new entrants as of January 1, 2013.

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

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	11.433%	6.250%
	Safety	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.400% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	35.532%	11.500%

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous		Safety
Contributions - employer	\$ 249,737		\$ 439,503
Contributions - employee (paid by employer)	8,910		7,847

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 2,506,224
Safety	3,082,023
 Total Net Pension Liability	 <u><u>\$ 5,588,247</u></u>

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

	Miscellaneous		Safety
Proportion - June 30, 2013	0.10%		0.07%
Proportion - June 30, 2014	0.10%		0.08%
Change - Increase (Decrease)	0.00%		0.01%

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$626,715. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 670,217	\$ -
Differences between actual and expected experience	175,229	(66,784)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	15,051	(94,094)
Net differences between projected and actual earnings on plan investments	-	(1,354,833)
Total	\$ 860,497	\$ (1,515,711)

\$670,217 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	\$	(328,208)
2017		(328,208)
2018		(330,308)
2019		(338,707)
Thereafter		-

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Actuarial Assumptions

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

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.30% to 14.20% (1)	3.30% to 14.20% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership data for all Funds (3)	Derived using CalPERS' Membership data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

D. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bound rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

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

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

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

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.5%	6.5%
Net Pension Liability	\$ 4,478,535	\$ 4,478,031
Current Discount Rate	7.5%	7.5%
Net Pension Liability	\$ 2,506,224	\$ 3,082,023
1% Increase	8.5%	8.5%
Net Pension Liability	\$ 869,391	\$ 1,931,772

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

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

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.

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

NOTE 11 – RISK MANAGEMENT (Continued)

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2015:

Total assets	\$ 86,630,360
Total liabilities	<u>73,673,710</u>
Member's equity	<u>\$ 12,956,650</u>
Total revenues	\$ 38,130,606
Total expenses	<u>40,427,807</u>
Excess of expenses (loss) over income	<u>\$ (2,297,201)</u>

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, 2015:

Transportation and Streets Special Revenue Fund:	
Capital outlay:	
Public works	\$67,304
HOME Program Special Revenue Fund:	
Current:	
Community development	\$54,761

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

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

NOTE 14 – SEGMENT INFORMATION

Segment information for the Water Fund for the year ended June 30, 2015 is as follows:

	Water Fund
CONDENSED STATEMENT OF NET POSITION	
Assets:	
Current assets	\$ 7,443,554
Noncurrent assets	<u>22,353,699</u>
Total assets	<u>29,797,253</u>
Deferred outflows of resources	<u>3,319,896</u>
Liabilities:	
Current liabilities	1,090,877
Noncurrent liabilities	<u>24,066,781</u>
Total liabilities	<u>25,157,658</u>
Deferred inflows of resources	<u>113,068</u>
Net Position:	
Net investment in capital assets	830,567
Restricted	798,970
Unrestricted	<u>6,216,886</u>
Total net position	<u>\$ 7,846,423</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	
Operating revenues	\$ 4,188,050
Depreciation expenses	(1,087,149)
Other operating expenses	<u>(2,652,985)</u>
Operating income (loss)	<u>447,916</u>
Nonoperating revenues (expenses):	
Other nonoperating revenue	439,945
Investment income	11,254
Interest expense	<u>(718,992)</u>
Total nonoperating revenues (expenses)	<u>(267,793)</u>
Changes in net position	180,123
Beginning net position	8,042,764
Prior period adjustment	<u>(376,464)</u>
Ending net position	<u>\$ 7,846,423</u>
CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 1,620,050
Noncapital financing activities	47,110
Capital and related financing activities	(1,229,929)
Investing activities	<u>10,803</u>
Net increase (decrease) in cash and cash equivalents	448,034
Beginning cash and cash equivalents	<u>6,753,777</u>
Ending cash and cash equivalents	<u>\$ 7,201,811</u>

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

NOTE 15 – RESTATEMENT OF FUND BALANCE/NET POSITION

Prior Period Adjustments

Governmental Activities

Beginning net positions of the Governmental Activities and Business-Type Activities in the Government-Wide Statement of Activities have been restated to record prior period adjustments to correct prior year errors principally related to capital assets.

Fund Financial Statements

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance of the funds has been restated on the fund basis financial statements to correct prior year errors principally related to capital assets.

Change in Accounting Principle

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

Reconciliations of the prior period ending net position/fund balance to the current year beginning net position/fund balance are as follows:

	Government-Wide Statements		Fund Statements						
	Governmental	Business-Type	Governmental	Proprietary					Storm Drain
	Activities	Activities	General Fund	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Fund	
Fund balance/net position, June 30, 2014, as previously reported	\$ 32,118,217	\$ 15,925,267	\$ 4,891,096	\$ 8,042,764	\$ 3,538,373	\$ 247,871	\$ 2,471,637	\$ 1,624,622	
Prior period adjustments:									
Overstatement of properties held for sale	(174,605)	-	(596,277)	-	-	-	-	-	
Overstatement of prepaid expenses	-	-	(14,278)	-	-	-	-	-	
Understatement of unearned revenue	-	(722,073)	-	-	-	-	(722,073)	-	
Overstatement of housing loans receivable	108,386	-	-	-	-	-	-	-	
Total prior period adjustments	(66,219)	(722,073)	(610,555)	-	-	-	(722,073)	-	
Change in accounting principle:									
Record the beginning deferred pension contributions and net pension liability	(5,724,274)	(998,640)	-	(376,464)	(249,315)	(46,078)	(298,708)	(28,074)	
Total change in accounting principle	(5,724,274)	(998,640)	-	(376,464)	(249,315)	(46,078)	(298,708)	(28,074)	
Fund balance/net position, July 1, 2014, as restated	\$ 26,327,724	\$ 14,204,555	\$ 4,280,541	\$ 7,666,300	\$ 3,289,058	\$ 201,793	\$ 1,450,856	\$ 1,596,548	

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

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 and Investments

A reconciliation of the Successor Agency Trust Fund’s cash and investment balances as of June 30, 2015 is as follows:

Cash and Investments	\$ 233,142
Cash with fiscal agent	<u>276,594</u>
Total cash	<u>\$ 509,736</u>

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2015 is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
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	(1,352,282)	(84,292)	-	(1,436,574)
Infrastructure	<u>(398,436)</u>	<u>(41,668)</u>	<u>-</u>	<u>(440,104)</u>
Total accumulated depreciation	<u>(1,750,718)</u>	<u>(125,960)</u>	<u>-</u>	<u>(1,876,678)</u>
Total capital assets being depreciated, net	<u>3,268,192</u>	<u>(125,960)</u>	<u>-</u>	<u>3,142,232</u>
Governmental activities capital assets, net	<u>\$ 3,293,592</u>	<u>\$ (125,960)</u>	<u>\$ -</u>	<u>\$ 3,167,632</u>

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

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, 2015:

	Balance July 1, 2014	Incurred or Issued	Satisfied or Matured	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 3,375,000	\$ -	\$ (215,000)	\$ 3,160,000	\$ 220,000	\$ 2,940,000
Bond Discount	<u>(248,292)</u>	-	<u>12,161</u>	<u>(236,131)</u>	-	<u>(236,131)</u>
Total	<u>\$ 3,126,708</u>	<u>\$ -</u>	<u>\$ (202,839)</u>	<u>\$ 2,923,869</u>	<u>\$ 220,000</u>	<u>\$ 2,703,869</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>
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	260,000	106,228	366,228
2021-2025	1,005,000	350,650	1,355,650
2026-2030	425,000	197,900	622,900
2031-2035	<u>530,000</u>	<u>82,500</u>	<u>612,500</u>
Totals	<u>\$ 3,160,000</u>	<u>\$ 1,265,380</u>	<u>\$ 4,425,380</u>

Prior Period Adjustment

The Successor Agency recorded an adjustment to increase its property held for resale balance by \$596,277 as it was determined, by the State, these properties belong to the Successor Agency.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 337,464	\$ 337,464	\$ 337,178	\$ (286)
Other taxes	1,423,753	1,423,753	1,356,103	(67,650)
Licenses and permits	143,520	143,520	206,623	63,103
Intergovernmental revenues	2,241,422	2,241,422	2,221,505	(19,917)
Charges for services	78,460	78,460	80,338	1,878
Fines and penalties	27,500	27,500	27,854	354
Use of money and property	-	-	317,253	317,253
Grant drawdowns	-	-	375,233	375,233
Miscellaneous	-	-	408,398	408,398
Total revenues	<u>4,252,119</u>	<u>4,252,119</u>	<u>5,330,485</u>	<u>1,078,366</u>
EXPENDITURES				
Current:				
General government	1,032,186	1,032,186	546,338	485,848
Public safety	4,079,984	4,079,984	3,992,068	87,916
Public works	443,773	443,773	344,755	99,018
Parks and recreation	462,208	462,208	326,090	136,118
Capital outlay:				
General government	<u>91,500</u>	<u>91,500</u>	<u>17,000</u>	<u>74,500</u>
Total expenditures	<u>6,109,651</u>	<u>6,109,651</u>	<u>5,226,251</u>	<u>883,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,857,532)</u>	<u>(1,857,532)</u>	<u>104,234</u>	<u>1,961,766</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>(165,000)</u>
Total other financing sources (uses)	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>(165,000)</u>
Net change in fund balances	<u>(1,692,532)</u>	<u>(1,692,532)</u>	<u>104,234</u>	<u>1,796,766</u>
Fund balances - beginning	4,891,096	4,891,096	4,891,096	-
Prior period adjustment	<u>(610,555)</u>	<u>(610,555)</u>	<u>(610,555)</u>	<u>-</u>
Fund balances - beginning, as restated	<u>4,280,541</u>	<u>4,280,541</u>	<u>4,280,541</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,588,009</u>	<u>\$ 2,588,009</u>	<u>\$ 4,384,775</u>	<u>\$ 1,796,766</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, 2015

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 659,358	\$ 659,358	\$ 760,857	\$ 101,499
Use of money and property	2,900	2,900	2,689	(211)
Grant drawdowns	-	-	353,909	353,909
Total revenues	<u>662,258</u>	<u>662,258</u>	<u>1,117,455</u>	<u>455,197</u>
EXPENDITURES				
Current:				
Public works	783,827	783,827	583,463	200,364
Capital outlay:				
Public works	<u>30,736</u>	<u>30,736</u>	<u>98,040</u>	<u>(67,304)</u>
Total expenditures	<u>814,563</u>	<u>814,563</u>	<u>681,503</u>	<u>133,060</u>
Net change in fund balances	(152,305)	(152,305)	435,952	588,257
Fund balances - beginning	<u>1,355,025</u>	<u>1,355,025</u>	<u>1,355,025</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,202,720</u>	<u>\$ 1,202,720</u>	<u>\$ 1,790,977</u>	<u>\$ 588,257</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, 2015

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 95	\$ 95
Grant drawdowns	-	641,402	405,444	(235,958)
Loan repayments	-	102,859	120,661	17,802
Miscellaneous	-	-	12,104	12,104
Total revenues	<u>-</u>	<u>744,261</u>	<u>538,304</u>	<u>(205,957)</u>
EXPENDITURES				
Current:				
Community development	<u>395,576</u>	<u>778,542</u>	<u>408,008</u>	<u>370,534</u>
Total expenditures	<u>395,576</u>	<u>778,542</u>	<u>408,008</u>	<u>370,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(395,576)</u>	<u>(34,281)</u>	<u>130,296</u>	<u>164,577</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>15,539</u>	<u>15,539</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,539</u>	<u>15,539</u>
Net change in fund balances	(395,576)	(34,281)	145,835	180,116
Fund balances (deficits) - beginning	<u>-</u>	<u>-</u>	<u>(138,864)</u>	<u>(138,864)</u>
Fund balances (deficits) - ending	<u>\$ (395,576)</u>	<u>\$ (34,281)</u>	<u>\$ 6,971</u>	<u>\$ 41,252</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, 2015

	<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	\$ -	\$ -	\$ 381	\$ 381
Grant drawdowns	-	-	6,849	6,849
Loan repayments	-	268,711	170,667	(98,044)
Total revenues	-	268,711	177,897	(90,814)
EXPENDITURES				
Current:				
Community development	421,095	263,595	318,356	(54,761)
Total expenditures	421,095	263,595	318,356	(54,761)
Excess (deficiency) of revenues over (under) expenditures	(421,095)	5,116	(140,459)	(145,575)
Net change in fund balances	(421,095)	5,116	(140,459)	(145,575)
Fund balances - beginning	354,049	354,049	354,049	-
Fund balances - ending	<u>\$ (67,046)</u>	<u>\$ 359,165</u>	<u>\$ 213,590</u>	<u>\$ (145,575)</u>

**CITY OF CORCORAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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.

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

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Proportion of the net pension liability	0.04027%	0.04953%
Proportionate share of the net pension liability	\$ 2,506,224	\$ 3,082,023
Covered - employee payroll	\$ 2,305,134	\$ 1,282,096
Proportionate Share of the net pension liability as percentage of covered-employee payroll	108.72%	240.39%
Plan's fiduciary net position	\$ 12,360,892	\$ 7,340,033
Plan fiduciary net position as a percentage of the total pension liability	83.14%	70.43%

Notes to Schedule:

Benefit changes. There were no changes in benefits.

Change in assumptions. There were no changes in assumptions.

* Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they occur.

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

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Actuarially determined contribution	\$ 249,358	\$ 442,331
Contributions in relation to the actuarially determined contributions	(249,358)	(442,331)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 2,305,134	\$ 1,282,096
Contributions as a percentage of covered-employee payroll	10.82%	34.50%

Notes to Schedule:

	<u>Miscellaneous</u> <u>6/30/2012</u>	<u>Safety</u> <u>6/30/2012</u>
Valuation date:		
Methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	19 Years as of the Valuation Date	17 Years as of the Valuation Date
Asset Valuation Method	15-year smoothed market	15-year smoothed market
Inflation	2.75%	2.75%
Salary Increases	3.30% to 14.20% Depending on age, service, and type of employment	
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.	
Retirement Age	67 years	57 years
Mortality	Derived using CalPERS' Membership data for all Funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.	

* Fiscal year 2015 was the first year of implementation; therefore only one year is shown.

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 four 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 **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, 2015**

	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	\$ 356,676	\$ 4,930	\$ 361,606
Cash with fiscal agent:			
Restricted	-	76,503	76,503
Receivables	<u>333,949</u>	<u>15</u>	<u>333,964</u>
 Total assets	 <u>\$ 690,625</u>	 <u>\$ 81,448</u>	 <u>\$ 772,073</u>
LIABILITIES			
Accounts payable	\$ 1,134	\$ -	\$ 1,134
Deposits	<u>700</u>	<u>-</u>	<u>700</u>
 Total liabilities	 <u>1,834</u>	 <u>-</u>	 <u>1,834</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	<u>260,193</u>	<u>-</u>	<u>260,193</u>
 Total deferred inflows of resources	 <u>260,193</u>	 <u>-</u>	 <u>260,193</u>
FUND BALANCES			
Restricted for:			
Debt service	-	81,448	81,448
Community development	45,492	-	45,492
Public safety	175,391	-	175,391
Parks and recreation	92,584	-	92,584
Unassigned	<u>115,131</u>	<u>-</u>	<u>115,131</u>
 Total fund balances	 <u>428,598</u>	 <u>81,448</u>	 <u>510,046</u>
 Total liabilities and fund balances	 <u>\$ 690,625</u>	 <u>\$ 81,448</u>	 <u>\$ 772,073</u>

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

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ 39,133	\$ -	\$ 39,133
Use of money and property	12,279	76,203	88,482
Intergovernmental revenues	34,149	-	34,149
Grant drawdowns	105,463	-	105,463
Repayment of loans	12,735	-	12,735
Miscellaneous	<u>35,284</u>	<u>-</u>	<u>35,284</u>
Total revenues	<u>239,043</u>	<u>76,203</u>	<u>315,246</u>
EXPENDITURES			
Current services:			
General government	1,814	2,644	4,458
Community development	4,886	-	4,886
Parks and recreation	507	-	507
Public works	13,410	-	13,410
Public safety	17,638	-	17,638
Capital outlay:			
Public safety	109,194	-	109,194
Debt service:			
Principal retirement	-	60,000	60,000
Interest and fiscal charges	<u>-</u>	<u>16,188</u>	<u>16,188</u>
Total expenditures	<u>147,449</u>	<u>78,832</u>	<u>226,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>91,594</u>	<u>(2,629)</u>	<u>88,965</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(15,539)</u>	<u>-</u>	<u>(15,539)</u>
Total other financing sources (uses)	<u>(15,539)</u>	<u>-</u>	<u>(15,539)</u>
Net change in fund balances	76,055	(2,629)	73,426
Fund balances - beginning	<u>352,543</u>	<u>84,077</u>	<u>436,620</u>
Fund balances - ending	<u>\$ 428,598</u>	<u>\$ 81,448</u>	<u>\$ 510,046</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015**

	Housing Authority Special Revenue Fund	Public Safety	Parks Capital	Economic Development Loan Programs	Assessment Districts	Totals
ASSETS						
Cash and investments:						
Unrestricted	\$ 46,271	\$ 114,604	\$ 92,533	\$ -	\$ 103,268	\$ 356,676
Receivables	<u>260,193</u>	<u>60,787</u>	<u>51</u>	<u>-</u>	<u>12,918</u>	<u>333,949</u>
Total assets	<u>\$ 306,464</u>	<u>\$ 175,391</u>	<u>\$ 92,584</u>	<u>\$ -</u>	<u>\$ 116,186</u>	<u>\$ 690,625</u>
LIABILITIES						
Accounts payable	\$ 79	\$ -	\$ -	\$ -	\$ 1,055	\$ 1,134
Deposits	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total liabilities	<u>779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055</u>	<u>1,834</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>260,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,193</u>
Total deferred inflows of resources	<u>260,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,193</u>
FUND BALANCES						
Restricted for:						
Community development	45,492	-	-	-	-	45,492
Public safety	-	175,391	-	-	-	175,391
Parks and recreation	-	-	92,584	-	-	92,584
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,131</u>	<u>115,131</u>
Total fund balances	<u>45,492</u>	<u>175,391</u>	<u>92,584</u>	<u>-</u>	<u>115,131</u>	<u>428,598</u>
Total liabilities and fund balances	<u>\$ 306,464</u>	<u>\$ 175,391</u>	<u>\$ 92,584</u>	<u>\$ -</u>	<u>\$ 116,186</u>	<u>\$ 690,625</u>

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

	Housing Authority Special Revenue Fund	Public Safety	Parks Capital	Economic Development Loan Programs	Assessment Districts	Totals
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 39,133	\$ 39,133
Intergovernmental revenues	-	-	34,149	-	-	34,149
Use of money and property	11,305	632	154	-	188	12,279
Grant drawdowns	-	105,463	-	-	-	105,463
Repayment of loans	12,735	-	-	-	-	12,735
Miscellaneous	2,481	32,353	450	-	-	35,284
Total revenues	<u>26,521</u>	<u>138,448</u>	<u>34,753</u>	<u>-</u>	<u>39,321</u>	<u>239,043</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	1,814	1,814
Community development	4,886	-	-	-	-	4,886
Public safety	-	17,638	-	-	-	17,638
Public works	-	-	-	-	13,410	13,410
Parks and recreation	-	-	507	-	-	507
Capital outlay:						
Public safety	-	109,194	-	-	-	109,194
Total expenditures	<u>4,886</u>	<u>126,832</u>	<u>507</u>	<u>-</u>	<u>15,224</u>	<u>147,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,635</u>	<u>11,616</u>	<u>34,246</u>	<u>-</u>	<u>24,097</u>	<u>91,594</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers out	-	-	-	(15,539)	-	(15,539)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,539)</u>	<u>-</u>	<u>(15,539)</u>
Net change in fund balances	21,635	11,616	34,246	(15,539)	24,097	76,055
Fund balances - beginning	<u>23,857</u>	<u>163,775</u>	<u>58,338</u>	<u>15,539</u>	<u>91,034</u>	<u>352,543</u>
Fund balances - ending	<u>\$ 45,492</u>	<u>\$ 175,391</u>	<u>\$ 92,584</u>	<u>\$ -</u>	<u>\$ 115,131</u>	<u>\$ 428,598</u>

**CITY OF CORCORAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>ASSETS SEIZURES (UNPROCESSED)</u>				
ASSETS				
Cash	\$ 752	\$ -	\$ (2)	\$ 750
Total assets	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 750</u>
LIABILITIES				
Due to other agencies	\$ 752	\$ -	\$ (2)	\$ 750
Total liabilities	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 750</u>
<u>KINGS COUNTY CDBG</u>				
ASSETS				
Cash	\$ 14,783	\$ 9	\$ -	\$ 14,792
Receivables:				
Notes	1,111,476	81,978	(163,956)	1,029,498
Total assets	<u>\$ 1,126,259</u>	<u>\$ 81,987</u>	<u>\$ (163,956)</u>	<u>\$ 1,044,290</u>
LIABILITIES				
Due to other agencies	\$ 1,126,259	\$ 81,987	\$ (163,956)	\$ 1,044,290
Total liabilities	<u>\$ 1,126,259</u>	<u>\$ 81,987</u>	<u>\$ (163,956)</u>	<u>\$ 1,044,290</u>
<u>CAFETERIA PLAN FUND</u>				
ASSETS				
Cash	\$ -	\$ 1,233	\$ -	\$ 1,233
Total assets	<u>\$ -</u>	<u>\$ 1,233</u>	<u>\$ -</u>	<u>\$ 1,233</u>
LIABILITIES				
Due to other agencies	\$ -	\$ -	\$ 1,233	\$ 1,233
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233</u>	<u>\$ 1,233</u>
<u>TOTAL</u>				
ASSETS				
Cash	\$ 15,535	\$ 1,242	\$ (2)	\$ 16,775
Receivables:				
Notes	1,111,476	81,978	(163,956)	1,029,498
Total assets	<u>\$ 1,127,011</u>	<u>\$ 83,220</u>	<u>\$ (163,958)</u>	<u>\$ 1,046,273</u>
LIABILITIES				
Due to other agencies	\$ 1,127,011	\$ 81,987	\$ (162,725)	\$ 1,046,273
Total liabilities	<u>\$ 1,127,011</u>	<u>\$ 81,987</u>	<u>\$ (162,725)</u>	<u>\$ 1,046,273</u>

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	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	12-CDBG-8378	\$ 160,150
(State Program)	14.228	Program Income	<u>179,227</u>
Total Community Development Block Grants			<u>339,377</u>
HOME Investment Partnerships Program:			
(State HOME Program)	14.239	12-HOME-8561	4,566
(State HOME Program)	14.239	Program Income	<u>314,378</u>
Total HOME Investment Partnerships Program			<u>318,944</u>
Total U.S. Department of Housing and Urban Development			<u>658,321</u>
U.S. Department of Transportation (DOT):			
Passed through the State of California:			
Formula Grants for Rural Areas	20.509	6431110	<u>165,586</u>
Total U.S. Department of Transportation			<u>165,586</u>
Total expenditures of federal awards			<u>\$ 823,907</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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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, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Corcoran’s Response to Finding

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
March 28, 2016

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, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of Corcoran's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
March 28, 2016

FINDINGS AND QUESTIONED COSTS

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

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) X Yes No

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.239	Home Investment Partnerships Program

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, 2015**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001

Year-End Closing Process

Condition:	The City did not properly record all payables, receivables, grant revenues and revenues during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts. City management agreed with our adjustments and posted the entries.
Criteria:	A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP.)
Cause:	Financial closing adjustments to record year-end payables, receivables, grant revenues and revenues were not identified and posted to the City accounting records.
Effect:	As a result of this condition, payables, receivables, grant revenues and revenues were initially materially misstated.
Recommendation:	We recommend that the City create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.
Management Response:	The City will create a year-end closing checklist to insure proper reconciliation of accounts.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-002

Schedule of Expenditures of Federal Awards

Condition: Program income expenditures of \$66,832 under the Community Development Block Grants (CFDA#14.228) and \$314,378 under the Home Investment Partnerships Program (CFDA#14.239) were omitted from the initial Schedule of Expenditures of Federal Awards (the "Schedule") prepared by the City. The omission was identified as a result of our audit and the City corrected the final Schedule.

Criteria: Circular A-133 §____.205 states that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: the receipt or use of program income.

Cause: The City does not have a system in place to capture all Federal award expenditures incurred for inclusion in the Schedule.

Effect: Total Federal expenditures reported on the Schedule were understated by \$381,210. An improperly prepared Schedule can result in noncompliance with Circular A-133.

Questioned Costs: None

Recommendation: We recommend that the City create a system to capture all Federal award expenditures incurred for inclusion in the Schedule of Expenditures of Federal Awards.

Management Response: The City will create a year-end closing checklist to insure proper reconciliation of program income accounts.

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

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.
Status:	Not implemented. See current year finding 2015-001.

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported