

**CITY OF CORCORAN  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**CITY OF CORCORAN  
JUNE 30, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities.....	11
Statement of Net Position – Enterprise Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds .....	15
Statement of Cash Flows – Enterprise Funds .....	16
Statement of Net Position – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	21
Notes to the Basic Financial Statements.....	24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Community Development Block Grant Special Revenue Fund.....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Home Program Special Revenue Fund .....	58
Notes to the Required Supplementary Information .....	59

**CITY OF CORCORAN  
JUNE 30, 2016**

**TABLE OF CONTENTS**  
(Continued)

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION (Continued)	
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of the City's Proportionate Share of Net Pension Liability.....	60
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions .....	61
OTHER SUPPLEMENTARY INFORMATION	
Combining Nonmajor Governmental Funds Statements:	
Description of Nonmajor Governmental Funds.....	64
Combining Balance Sheet – Nonmajor Governmental Funds.....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	66
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	68
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	69
Schedule of Expenditures of Federal Awards .....	70
Note to Schedule of Expenditures of Federal Awards.....	71
OTHER INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	77
FINDINGS AND QUESTIONED COSTS:	
Schedule of Findings and Questioned Costs.....	81
Summary Schedule of Prior Year Audit Findings .....	84
Corrective Action Plan.....	87

## 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## 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 56-64, Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of the City's Proportionate Share of Net Pension Liability on page 60, and the Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions on page 61 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 31, 2017, 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 31, 2017

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments:			
Unrestricted	\$ 8,953,988	\$ 7,807,756	\$ 16,761,744
Restricted	-	369,706	369,706
Cash with fiscal agent - restricted	-	234,194	234,194
Receivables	14,176,031	1,324,699	15,500,730
Prepaid expenses	18,203	5,027	23,230
Property held for resale	2,292,085	-	2,292,085
Capital assets:			
Nondepreciable	1,187,285	1,935,131	3,122,416
Depreciable, net of accumulated depreciation	<u>10,147,425</u>	<u>26,097,737</u>	<u>36,245,162</u>
Total assets	<u>36,775,017</u>	<u>37,774,250</u>	<u>74,549,267</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derivative instrument - interest rate swap	-	4,431,582	4,431,582
Deferred refunding	-	311,911	311,911
Pension deferrals	<u>701,931</u>	<u>103,467</u>	<u>805,398</u>
Total deferred outflows of resources	<u>701,931</u>	<u>4,846,960</u>	<u>5,548,891</u>
<b>LIABILITIES</b>			
Accounts payable	333,733	567,254	900,987
Deposits	57,771	-	57,771
Interest payable	-	122,168	122,168
Unearned revenues	-	164,915	164,915
Derivative instrument - interest rate swap	-	4,431,582	4,431,582
Noncurrent liabilities:			
Due within one year:			
Long-term debt	-	700,269	700,269
Compensated absences	162,297	29,350	191,647
Due in more than one year:			
Long-term debt	-	20,114,711	20,114,711
Compensated absences	123,169	18,670	141,839
Net pension liability	<u>4,665,014</u>	<u>895,437</u>	<u>5,560,451</u>
Total liabilities	<u>5,341,984</u>	<u>27,044,356</u>	<u>32,386,340</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	<u>700,007</u>	<u>238,131</u>	<u>938,138</u>
Total deferred inflows of resources	<u>700,007</u>	<u>238,131</u>	<u>938,138</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,334,710	7,217,888	18,552,598
Restricted for:			
Debt Service	5,047	603,900	608,947
Community development	14,179,884	-	14,179,884
Public safety	3,940,522	-	3,940,522
Public works	138,453	-	138,453
Transportation and streets	2,091,553	-	2,091,553
Parks and recreation	112,090	-	112,090
Unrestricted	<u>(367,302)</u>	<u>7,516,935</u>	<u>7,149,633</u>
Total net position	<u>\$ 31,434,957</u>	<u>\$ 15,338,723</u>	<u>\$ 46,773,680</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, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities:							
General government	\$ 722,583	\$ -	\$ -	\$ -	\$ (722,583)	\$ -	\$ (722,583)
Community development	107,766	83,380	52,688	-	28,302	-	28,302
Public safety	3,461,776	33,333	265,888	3,858,564	696,009	-	696,009
Public works	732,000	-	648,788	-	(83,212)	-	(83,212)
Parks and recreation	447,137	39,689	-	-	(407,448)	-	(407,448)
Interest on long-term debt	10,938	-	-	-	(10,938)	-	(10,938)
<b>Total governmental activities</b>	<b>5,482,200</b>	<b>156,402</b>	<b>967,364</b>	<b>3,858,564</b>	<b>(499,870)</b>	<b>-</b>	<b>(499,870)</b>
Business-type activities:							
Water	4,599,864	4,161,988	-	-	-	(437,876)	(437,876)
Sewer	1,078,165	999,677	-	-	-	(78,488)	(78,488)
Refuse	1,773,073	1,698,734	-	-	-	(74,339)	(74,339)
Storm drain	433,405	320,974	-	-	-	(112,431)	(112,431)
Transit	938,340	80,673	867,440	312,858	-	322,631	322,631
<b>Total business-type activities</b>	<b>8,822,847</b>	<b>7,262,046</b>	<b>867,440</b>	<b>312,858</b>	<b>-</b>	<b>(380,503)</b>	<b>(380,503)</b>
<b>Total</b>	<b>\$ 14,305,047</b>	<b>\$ 7,418,448</b>	<b>\$ 1,834,804</b>	<b>\$ 4,171,422</b>	<b>(499,870)</b>	<b>(380,503)</b>	<b>(880,373)</b>
General revenues:							
Taxes:							
Property taxes					323,217	-	323,217
Sales and use taxes					979,956	-	979,956
Franchise taxes					256,146	-	256,146
Other taxes					368,457	-	368,457
Motor vehicle in-lieu					2,345,064	-	2,345,064
Investment income					11,533	50,532	62,065
Rental income					405,320	3,600	408,920
Miscellaneous					371,571	307,954	679,525
<b>Total general revenues</b>					<b>5,061,264</b>	<b>362,086</b>	<b>5,423,350</b>
Change in net position					4,561,394	(18,417)	4,542,977
Net position - beginning, restated					26,873,563	15,357,140	42,230,703
Net position - ending					<b>\$ 31,434,957</b>	<b>\$ 15,338,723</b>	<b>\$ 46,773,680</b>

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

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## FUND FINANCIAL STATEMENTS

**CITY OF CORCORAN**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Police Department Construction Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments:						
Unrestricted	\$ 2,279,627	\$ 207,582	\$ 340,235	\$ 3,808,874	\$ 2,317,670	\$ 8,953,988
Receivables	362,286	5,070,446	8,253,619	-	489,679	14,176,030
Prepaid expenses	17,225	111	98	-	769	18,203
Property held for resale	<u>2,292,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,292,085</u>
Total assets	<u>\$ 4,951,223</u>	<u>\$ 5,278,139</u>	<u>\$ 8,593,952</u>	<u>\$ 3,808,874</u>	<u>\$ 2,808,118</u>	<u>\$ 25,440,306</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 312,899	\$ 890	\$ 245	\$ 12,633	\$ 7,066	\$ 333,733
Deposits	<u>57,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>	<u>57,771</u>
Total liabilities	<u>369,970</u>	<u>890</u>	<u>245</u>	<u>12,633</u>	<u>7,766</u>	<u>391,504</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	<u>-</u>	<u>5,070,455</u>	<u>8,253,618</u>	<u>-</u>	<u>251,672</u>	<u>13,575,745</u>
Total deferred inflows of resources	<u>-</u>	<u>5,070,455</u>	<u>8,253,618</u>	<u>-</u>	<u>251,672</u>	<u>13,575,745</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid expenses	17,225	111	98	-	769	18,203
Property held for resale	2,292,085	-	-	-	-	2,292,085
Restricted for:						
Debt service	-	-	-	-	5,047	5,047
Community development	-	206,683	339,991	-	57,225	603,899
Public safety	-	-	-	3,796,241	144,281	3,940,522
Public works	-	-	-	-	138,453	138,453
Transportation and streets	-	-	-	-	2,090,815	2,090,815
Parks and recreation	-	-	-	-	112,090	112,090
Unassigned	<u>2,271,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,271,943</u>
Total fund balances	<u>4,581,253</u>	<u>206,794</u>	<u>340,089</u>	<u>3,796,241</u>	<u>2,548,680</u>	<u>11,473,057</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,951,223</u>	<u>\$ 5,278,139</u>	<u>\$ 8,593,952</u>	<u>\$ 3,808,874</u>	<u>\$ 2,808,118</u>	<u>\$ 25,440,306</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, 2016**

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

Total fund balances - governmental funds	\$	11,473,057
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.		11,334,710
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental		13,575,745
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	701,931	
Deferred inflows of resources	<u>(700,007)</u>	1,924
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	(285,466)	
Net pension liability	(4,665,013)	<u>(4,950,479)</u>
Net position of governmental activities	\$	<u>31,434,957</u>

**CITY OF CORCORAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Police Department Construction Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 283,880	\$ -	\$ -	\$ -	\$ 40,224	\$ 324,104
Other taxes	1,304,615	-	-	-	-	1,304,615
Licenses and permits	209,695	-	-	-	-	209,695
Intergovernmental	2,458,676	-	-	3,822,000	739,176	7,019,852
Charges for services	104,414	-	-	-	39,689	144,103
Fines and penalties	28,823	-	-	-	-	28,823
Use of money and property	332,813	-	-	-	86,765	419,578
Grant drawdowns	79,011	-	100,239	-	93,916	273,166
Loan repayments	-	165,009	415,231	-	29,688	609,928
Miscellaneous	264,704	80,336	1,272	-	48,493	394,805
<b>Total revenues</b>	<b>5,066,631</b>	<b>245,345</b>	<b>516,742</b>	<b>3,822,000</b>	<b>1,077,951</b>	<b>10,728,669</b>
<b>EXPENDITURES</b>						
Current:						
General government	520,249	-	-	-	1,664	521,913
Community development	-	45,522	390,243	-	26,306	462,071
Public safety	3,800,157	-	-	25,759	28,346	3,854,262
Public works	199,578	-	-	-	461,279	660,857
Parks and recreation	305,436	-	-	-	-	305,436
Capital outlay:						
General government	15,276	-	-	-	-	15,276
Public safety	-	-	-	-	131,493	131,493
Parks and recreation	-	-	-	-	20,268	20,268
Debt service:						
Principal retirement	-	-	-	-	140,000	140,000
Interest and fiscal charges	-	-	-	-	10,938	10,938
<b>Total expenditures</b>	<b>4,840,696</b>	<b>45,522</b>	<b>390,243</b>	<b>25,759</b>	<b>820,294</b>	<b>6,122,514</b>
Excess (deficiency) of revenues over (under) expenditures	225,935	199,823	126,499	3,796,241	257,657	4,606,155
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of assets	20,693	-	-	-	-	20,693
Operating transfers in	10,000	-	-	-	-	10,000
Operating transfers out	-	-	-	-	(10,000)	(10,000)
<b>Total other financing sources (uses)</b>	<b>30,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>20,693</b>
<b>Net change in fund balances</b>	<b>256,628</b>	<b>199,823</b>	<b>126,499</b>	<b>3,796,241</b>	<b>247,657</b>	<b>4,626,848</b>
Fund balances - beginning, as restated	4,324,625	6,971	213,590	-	2,301,023	6,846,209
<b>Fund balances - ending</b>	<b>\$ 4,581,253</b>	<b>\$ 206,794</b>	<b>\$ 340,089</b>	<b>\$ 3,796,241</b>	<b>\$ 2,548,680</b>	<b>\$ 11,473,057</b>

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, 2016**

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

Net change in fund balances - total governmental funds	\$	4,626,848
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.		218,174
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.		(590,575)
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.		(3,469)
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.		140,000
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.		585,779
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>(415,363)</u>
Change in net position of governmental activities	\$	<u>4,561,394</u>

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## ENTERPRISE FUNDS

**CITY OF CORCORAN  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
JUNE 30, 2016**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 5,557,454	\$ 1,222,667	\$ 20,630	\$ 775,258	\$ 231,747	\$ 7,807,756
Restricted	369,706	-	-	-	-	369,706
Cash with fiscal agent - restricted	234,194	-	-	-	-	234,194
Receivables	286,624	124,833	200,998	671,863	40,381	1,324,699
Prepays	1,623	983	212	1,963	246	5,027
Total current assets	<u>6,449,601</u>	<u>1,348,483</u>	<u>221,840</u>	<u>1,449,084</u>	<u>272,374</u>	<u>9,741,382</u>
Noncurrent assets:						
Advances to other funds	373,900	-	-	-	-	373,900
Capital assets:						
Nondepreciable	1,584,782	303,696	-	-	46,653	1,935,131
Depreciable, net of accumulated depreciation	20,494,954	2,145,196	2	1,945,851	1,511,734	26,097,737
Total noncurrent assets	<u>22,453,636</u>	<u>2,448,892</u>	<u>2</u>	<u>1,945,851</u>	<u>1,558,387</u>	<u>28,406,768</u>
Total assets	<u>28,903,237</u>	<u>3,797,375</u>	<u>221,842</u>	<u>3,394,935</u>	<u>1,830,761</u>	<u>38,148,150</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Derivative instrument - interest rate swap	4,431,582	-	-	-	-	4,431,582
Deferred refunding	311,911	-	-	-	-	311,911
Pension deferrals	40,384	22,004	3,062	32,180	5,837	103,467
Total deferred outflows of resources	<u>4,783,877</u>	<u>22,004</u>	<u>3,062</u>	<u>32,180</u>	<u>5,837</u>	<u>4,846,960</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	346,075	87,928	115,964	15,349	1,938	567,254
Interest payable	122,168	-	-	-	-	122,168
Unearned revenue	-	-	-	164,915	-	164,915
Compensated absences	14,478	8,704	396	5,772	-	29,350
Long-term debt	700,269	-	-	-	-	700,269
Total current liabilities	<u>1,182,990</u>	<u>96,632</u>	<u>116,360</u>	<u>186,036</u>	<u>1,938</u>	<u>1,583,956</u>
Noncurrent liabilities:						
Derivative instrument - interest rate swap	4,431,582	-	-	-	-	4,431,582
Compensated absences	12,162	1,098	-	2,987	2,423	18,670
Advances from other funds	-	-	-	-	373,900	373,900
Long-term debt	20,114,711	-	-	-	-	20,114,711
Net pension liability	349,908	190,619	26,065	278,294	50,551	895,437
Total noncurrent liabilities	<u>24,908,363</u>	<u>191,717</u>	<u>26,065</u>	<u>281,281</u>	<u>426,874</u>	<u>25,834,300</u>
Total liabilities	<u>26,091,353</u>	<u>288,349</u>	<u>142,425</u>	<u>467,317</u>	<u>428,812</u>	<u>27,418,256</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferrals	92,771	50,762	7,191	73,926	13,481	238,131
Total deferred inflows of resources	<u>92,771</u>	<u>50,762</u>	<u>7,191</u>	<u>73,926</u>	<u>13,481</u>	<u>238,131</u>
<b>NET POSITION</b>						
Net investment in capital assets	1,264,756	2,448,892	2	1,945,851	1,558,387	7,217,888
Restricted for:						
Debt service	603,900	-	-	-	-	603,900
Unrestricted	5,634,334	1,031,376	75,286	940,021	(164,082)	7,516,935
Total net position	<u>7,502,990</u>	<u>3,480,268</u>	<u>75,288</u>	<u>2,885,872</u>	<u>1,394,305</u>	<u>15,338,723</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,687,114</u>	<u>\$ 3,819,379</u>	<u>\$ 224,904</u>	<u>\$ 3,427,115</u>	<u>\$ 1,836,598</u>	<u>\$ 42,995,110</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, 2016**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 4,161,813	\$ 999,677	\$ 1,698,734	\$ 80,673	\$ 306,926	\$ 7,247,823
Connection fees	<u>175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,048</u>	<u>14,223</u>
Total operating revenues	<u>4,161,988</u>	<u>999,677</u>	<u>1,698,734</u>	<u>80,673</u>	<u>320,974</u>	<u>7,262,046</u>
<b>OPERATING EXPENSES:</b>						
Personnel costs	470,020	223,388	16,892	412,709	92,665	1,215,674
Maintenance and supplies	1,994,660	453,659	1,555,530	63,181	28,388	4,095,418
Depreciation	1,106,342	201,071	647	136,584	90,441	1,535,085
Administrative and allocated costs	<u>310,290</u>	<u>200,004</u>	<u>200,004</u>	<u>325,866</u>	<u>221,911</u>	<u>1,258,075</u>
Total operating expenses	<u>3,881,312</u>	<u>1,078,122</u>	<u>1,773,073</u>	<u>938,340</u>	<u>433,405</u>	<u>8,104,252</u>
Operating income (loss)	<u>280,676</u>	<u>(78,445)</u>	<u>(74,339)</u>	<u>(857,667)</u>	<u>(112,431)</u>	<u>(842,206)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest income	23,725	4,343	647	2,486	968	32,169
Rental income	-	18,363	-	3,600	-	21,963
Grants	-	-	-	465,285	-	465,285
Development fees	50,009	199,151	-	-	300	249,460
Intergovernmental	-	-	-	715,013	-	715,013
Other revenues	20,709	5,132	20,534	11,036	1,083	58,494
Interest and fiscal charges	<u>(718,552)</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718,595)</u>
Total nonoperating revenues (expenses)	<u>(624,109)</u>	<u>226,946</u>	<u>21,181</u>	<u>1,197,420</u>	<u>2,351</u>	<u>823,789</u>
Change in net position	(343,433)	148,501	(53,158)	339,753	(110,080)	(18,417)
Net position - beginning	<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>
Net position - ending	<u>\$ 7,502,990</u>	<u>\$ 3,480,268</u>	<u>\$ 75,288</u>	<u>\$ 2,885,872</u>	<u>\$ 1,394,305</u>	<u>\$ 15,338,723</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, 2016**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,120,419	\$ 1,000,463	\$ 1,692,754	\$ 80,673	\$ 321,322	\$ 7,215,631
Cash payments to suppliers for goods and services	(1,917,959)	(415,508)	(1,561,604)	(105,748)	(28,316)	(4,029,135)
Cash payments to employees for services	(435,167)	(250,926)	(32,946)	(386,664)	(60,887)	(1,166,590)
Cash payments to other funds for allocated costs	<u>(310,290)</u>	<u>(200,004)</u>	<u>(200,004)</u>	<u>(325,866)</u>	<u>(221,911)</u>	<u>(1,258,075)</u>
Net cash provided (used) by operating activities	<u>1,457,003</u>	<u>134,025</u>	<u>(101,800)</u>	<u>(737,605)</u>	<u>10,208</u>	<u>761,831</u>
Cash flows from noncapital financing activities:						
Cash received from intergovernmental revenues	-	-	-	995,241	-	995,241
Cash received from developer fees	50,009	199,151	-	-	300	249,460
Cash received from other revenue	<u>20,709</u>	<u>5,132</u>	<u>20,534</u>	<u>11,036</u>	<u>1,083</u>	<u>58,494</u>
Net cash provided (used) by noncapital financing activities	<u>70,718</u>	<u>204,283</u>	<u>20,534</u>	<u>1,006,277</u>	<u>1,383</u>	<u>1,303,195</u>
Cash flows from capital and related financing activities:						
Cash received from intergovernmental revenues	-	-	-	-	-	-
Cash payments for principal paid on capital debt	(662,579)	(6,299)	-	-	-	(668,878)
Cash payments for interest on capital debt	(719,733)	(43)	-	-	-	(719,776)
Cash payments for the acquisition of capital assets	<u>(1,206,279)</u>	<u>(63,588)</u>	<u>-</u>	<u>(401,635)</u>	<u>-</u>	<u>(1,671,502)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,588,591)</u>	<u>(69,930)</u>	<u>-</u>	<u>(401,635)</u>	<u>-</u>	<u>(3,060,156)</u>
Cash flows from investing activities:						
Cash received from interest on investments	20,413	3,409	432	2,148	789	27,191
Cash received from the rental of property	<u>-</u>	<u>18,363</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>21,963</u>
Net cash provided (used) by investing activities	<u>20,413</u>	<u>21,772</u>	<u>432</u>	<u>5,748</u>	<u>789</u>	<u>49,154</u>
Increase (decrease) in cash and cash equivalents	(1,040,457)	290,150	(80,834)	(127,215)	12,380	(945,976)
Cash and cash equivalents, July 1, 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>
Cash and cash equivalents, June 30, 2016	<u>\$ 6,161,354</u>	<u>\$ 1,222,667</u>	<u>\$ 20,630</u>	<u>\$ 775,258</u>	<u>\$ 231,747</u>	<u>\$ 8,411,656</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, 2016**

**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)	\$ 280,676	\$ (78,445)	\$ (74,339)	\$ (857,667)	\$ (112,431)	\$ (842,206)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,106,342	201,071	647	136,584	90,441	1,535,085
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(41,569)	786	(5,980)	-	348	(46,415)
(Increase) decrease in prepaid expenses	14,793	(983)	(212)	(1,963)	(246)	11,389
(Increase) decrease in deferred outflows of resources	(7,278)	(4,973)	527	(3,608)	(1,310)	(16,642)
Increase (decrease) in accounts payable	61,908	39,134	(5,862)	(40,604)	318	54,894
Increase (decrease) in compensated absences	7,275	1,959	(207)	2,987	1,562	13,576
Increase (decrease) in deferred inflows of resources	(20,297)	(11,048)	(6,273)	(21,919)	(3,121)	(62,658)
Increase (decrease) in net pension liability	55,153	(13,476)	(10,101)	48,585	34,647	114,808
Net cash provided (used) by operating activities	<u>\$ 1,457,003</u>	<u>\$ 134,025</u>	<u>\$ (101,800)</u>	<u>\$ (737,605)</u>	<u>\$ 10,208</u>	<u>\$ 761,831</u>

**Reconciliation of Cash to Balance Sheet**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 5,557,454	\$ 1,222,667	\$ 20,630	\$ 775,258	\$ 231,747	\$ 7,807,756
Restricted	369,706	-	-	-	-	369,706
Cash with fiscal agent - restricted	<u>234,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,194</u>
Total Cash and cash equivalents	<u>\$ 6,161,354</u>	<u>\$ 1,222,667</u>	<u>\$ 20,630</u>	<u>\$ 775,258</u>	<u>\$ 231,747</u>	<u>\$ 8,411,656</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, 2016**

	<u>Agency Funds</u>	<u>Successor Agency Private Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 32,073	\$ 6,106
Cash with fiscal agent	-	2,956,885
Receivables:		
Notes	913,745	-
Prepaid expense	-	482
Property held for resale	-	596,277
Capital assets, net	<u>-</u>	<u>3,042,322</u>
Total assets	<u>945,818</u>	<u>6,602,072</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on bond refunding	<u>-</u>	<u>223,733</u>
Total deferred outflows of resources	<u>-</u>	<u>223,733</u>
<b>LIABILITIES</b>		
Bond payable	-	5,458,000
Due to other agencies	<u>945,818</u>	<u>(1,863)</u>
Total liabilities	<u>945,818</u>	<u>5,456,137</u>
<b>NET POSITION</b>		
Held in trust	<u>\$ -</u>	<u>\$ 1,369,668</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, 2016**

	<u>Successor Agency Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Taxes	\$ 619,802
Use of property and money	<u>48</u>
Total additions	<u>619,850</u>
<b>DEDUCTIONS</b>	
Planning and community development	309,534
Depreciation	125,310
Interest	<u>154,061</u>
Total deductions	<u>588,905</u>
Change in net position	30,945
Net position - beginning	<u>1,338,723</u>
Net position - ending	<u><u>\$ 1,369,668</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, 2016**

**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, 2016**

**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 **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.
- The **Police Department Construction Special Revenue Fund** is used to account for the resources provided by the State of California for the construction of the of a new police department.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 nonmajor 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 Agency Funds 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 Agency Fund** accounts for the moneys deducted from employees for their Cafeteria Plan.
- The **Police Activities League Agency Fund** accounts for money collected from various sources for use of different police related events and activities.
- 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, 2016**

**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, 2016**

**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 <sup>st</sup> installment, February 1, 2 <sup>nd</sup> installment
Delinquent Dates	December 10, 1 <sup>st</sup> installment, April 10, 2 <sup>nd</sup> installment

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

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as 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 liabilities in the year they are incurred for governmental fund debt and are amortized over the life of the bond.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**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.

**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, 2016 is as follows:

Cash on hand	\$ 1,500
Deposits with financial institutions	5,586,830
Investments	<u>14,772,378</u>
 Total cash and investments	 <u>\$ 20,360,708</u>
 Government-Wide:	
Statement of Net Position:	
Cash and investments	\$ 17,131,450
Cash with fiscal agent	234,194
Fiduciary Funds:	
Statement of Net Position:	
Cash and investments	38,179
Cash with fiscal agent	<u>2,956,885</u>
 Total cash and investments	 <u>\$ 20,360,708</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

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

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

**Investments Authorized by the Debt Agreements**

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

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

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

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 11,441,932	\$ 11,441,932	\$ -	\$ -	\$ -
CSJVRMA investment pool	139,367	139,367	-	-	-
Held by bond trustee:					
Money market funds	<u>3,191,079</u>	<u>3,191,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>14,772,378</u></b>	<b>\$ <u>14,772,378</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			AAA	Aaa-mf	Not Rated
State investment pool	\$ 11,441,932	\$ -	\$ -	\$ -	\$ 11,441,932
RMA investment pool	139,367	-	-	-	139,367
Held by bond trustee:					
Money market funds	<u>3,191,079</u>	<u>-</u>	<u>-</u>	<u>3,191,079</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>14,772,378</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ <u>3,191,079</u></b>	<b>\$ <u>11,581,299</u></b>

**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.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The 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, 2016, the carrying amount of the City's bank deposits was \$5,578,039 and the respective bank balances totaled \$5,643,383. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$500,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$5,153,383 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

**Local Agency Investment Fund**

The City participates in an external investment pool, as defined by the Government Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the City's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2016 balance was \$11,441,932. A breakdown of the investments included in the balance is not available at the balance sheet date.

**Investment Valuation**

The City categorizes the fair value of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using any of the aforementioned inputs. Fair value measurements of the City's investments are as follows at June 30, 2016:

- Investments in the Local Agency Investment Fund (LAIF) are valued at \$11,441,932 based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels of the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- Investments in the CSJVRMA Investment Pool (CSJVRMA) are valued at \$139,367 based on the City's pro-rata share of the fair value provided by CSJVRMA for the entire CSJVRMA portfolio. CSJVRMA invests in numerous types of investments ranging all levels of the fair value hierarchy. Accordingly, CSJVRMA is not an investment type that can be categorized in any particular level in the fair value hierarchy.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2016 consisted of the following for the governmental funds:

	General Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:					
Intergovernmental	\$ 179,251	\$ -	\$ -	\$ 235,497	\$ 414,748
Interest	2,628	-	-	2,292	4,920
Other	247,658	-	-	209	247,867
Notes	-	5,070,446	8,253,619	251,681	13,575,746
Allowance for uncollectibles	<u>(67,251)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,251)</u>
Receivables, net	<u>\$ 362,286</u>	<u>5,070,446</u>	<u>\$ 8,253,619</u>	<u>\$ 489,679</u>	<u>\$ 14,176,030</u>

Receivables as of June 30, 2016 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 311,664	\$ 132,282	\$ 191,245	\$ -	\$ 41,959	\$ 677,150
Interest	7,247	1,457	318	607	317	9,946
Intergovernmental	-	-	-	671,256	-	671,256
Other	-	-	23,062	-	-	23,062
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>\$ 286,624</u>	<u>\$ 124,833</u>	<u>\$ 200,998</u>	<u>\$ 671,863</u>	<u>\$ 40,381</u>	<u>\$ 1,324,699</u>

**NOTE 4 – INTERFUND TRANSACTIONS**

**Long-Term Interfund Advances**

At June 30, 2016, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
<b>Enterprise Funds</b>		
Major Funds:		
Water Fund	\$ 373,900	\$ -
Storm Drain Fund	<u>-</u>	<u>373,900</u>
Total	<u>\$ 373,899</u>	<u>\$ 373,900</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**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	
<b>Governmental Funds</b>			
Major Funds:			
General Fund	\$ 10,000	\$ -	
Nonmajor Funds:			
Public Safety Special Revenue Fund	-	10,000	
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	

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

Notes receivable consisted of the following as of June 30, 2016:

	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.	\$ 5,070,455	\$ -	\$ 251,672		\$ 5,322,127
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	8,253,619	-		8,253,619
<b>Total notes receivable</b>	<b>\$ 5,070,455</b>	<b>\$ 8,253,619</b>	<b>\$ 251,672</b>		<b>\$ 13,575,746</b>

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.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended June 30, 2016 is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 502,027	\$ -	\$ -	\$ 502,027
Construction in progress	670,036	-	-	670,036
Infrastructure in progress	<u>15,222</u>	<u>-</u>	<u>-</u>	<u>15,222</u>
Total capital assets not being depreciated	<u>1,187,285</u>	<u>-</u>	<u>-</u>	<u>1,187,285</u>
Capital assets being depreciated:				
Buildings and other improvements	6,642,014	-	-	6,642,014
Machinery and equipment	2,189,048	68,390	-	2,257,438
Infrastructure	7,484,689	-	-	7,484,689
Vehicles	<u>1,154,223</u>	<u>149,784</u>	<u>-</u>	<u>1,304,007</u>
Total capital assets being depreciated	<u>17,469,974</u>	<u>218,174</u>	<u>-</u>	<u>17,688,148</u>
Less accumulated depreciation for:				
Buildings and other improvements	(2,927,944)	(219,378)	-	(3,147,322)
Machinery and equipment	(1,948,712)	(94,779)	-	(2,043,491)
Infrastructure	(1,161,393)	(188,218)	-	(1,349,611)
Vehicles	<u>(912,099)</u>	<u>(88,200)</u>	<u>-</u>	<u>(1,000,299)</u>
Total accumulated depreciation	<u>(6,950,148)</u>	<u>(590,575)</u>	<u>-</u>	<u>(7,540,723)</u>
Total capital assets being depreciated, net	<u>10,519,826</u>	<u>(372,401)</u>	<u>-</u>	<u>10,147,425</u>
Governmental activities capital assets, net	<u>\$ 11,707,111</u>	<u>\$ (372,401)</u>	<u>\$ -</u>	<u>\$ 11,334,710</u>

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

<b>Governmental Activities:</b>	
General government	\$ 115,731
Community development	570
Public safety	158,729
Public works	207,461
Parks and recreation	<u>108,084</u>
Total	<u>\$ 590,575</u>

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

Capital assets activity of the business-type activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	1,090,309	895,077	(1,036,238)	949,148
Total capital assets not being depreciated	<u>2,076,292</u>	<u>895,077</u>	<u>(1,036,238)</u>	<u>1,935,131</u>
Capital assets being depreciated:				
Utility systems	46,753,769	901,675	-	47,655,444
Machinery and equipment	1,682,534	580,103	-	2,262,637
Vehicles	1,235,128	330,885	-	1,566,013
Total capital assets being depreciated	<u>49,671,431</u>	<u>1,812,663</u>	<u>-</u>	<u>51,484,094</u>
Less accumulated depreciation for:				
Utility systems	(21,522,972)	(1,349,591)	-	(22,872,563)
Machinery and equipment	(1,138,976)	(142,618)	-	(1,281,594)
Vehicles	(1,189,324)	(42,876)	-	(1,232,200)
Total accumulated depreciation	<u>(23,851,272)</u>	<u>(1,535,085)</u>	<u>-</u>	<u>(25,386,357)</u>
Total capital assets being depreciated, net	<u>25,820,159</u>	<u>277,578</u>	<u>-</u>	<u>26,097,737</u>
Business-type activities capital assets, net	<u>\$ 27,896,451</u>	<u>\$ 1,172,655</u>	<u>\$ (1,036,238)</u>	<u>\$ 28,032,868</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 1,106,342
Sewer	201,071
Refuse	647
Transit	136,584
Storm Drain	<u>90,441</u>
Total	<u>\$ 1,535,085</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 \$123,169 for governmental activities and \$18,670 for business-type activities at June 30, 2016, is expected to be paid in future years from future resources.

At June 30, 2016, the current balance is \$162,297 for governmental activities, and \$29,350 for the business-type activities.

	<u>Balance July 1, 2015</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
<b>Governmental Activities:</b>						
Compensated absences	\$ 281,997	\$ 174,139	\$ (170,670)	\$ 285,466	\$ 162,297	\$ 123,169
<b>Business-Type Activities:</b>						
Compensated absences	\$ 34,444	\$ 41,901	\$ (28,325)	\$ 48,020	\$ 29,350	\$ 18,670

**NOTE 8 – LONG-TERM DEBT**

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
<b>Governmental Activities:</b>						
Certificates of participation	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -	\$ -
Total governmental activities	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -	\$ -

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 matured on June 1, 2016.

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2016:

	Balance July 1, 2015 (Restated)	Incurred or Issued	Satisfied or Matured	Balance June 30, 2016	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Business-Type Activities:</b>						
Davis-Grunsky Loan (Water Fund)	\$ 264,207	\$ -	\$ (63,794)	\$ 200,413	\$ 65,269	\$ 135,144
2008 Certificates of Participation	16,835,000	-	(450,000)	16,385,000	475,000	15,910,000
State Water Quality Control Fund Loans (Sewer Fund)	6,299	-	(6,299)	-	-	-
2012 A Water Revenue Refunding Bonds	4,500,000	-	(155,000)	4,345,000	160,000	4,185,000
Less: Bond Discounts	<u>(121,648)</u>	<u>-</u>	<u>6,215</u>	<u>(115,433)</u>	<u>-</u>	<u>(115,433)</u>
Total business-type activities	<u>\$ 21,483,858</u>	<u>\$ -</u>	<u>\$ (668,878)</u>	<u>\$ 20,814,980</u>	<u>\$ 700,269</u>	<u>\$ 20,114,711</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.

The following is a schedule of the future estimated minimum payments related to the Davis-Grunsky Loan at June 30, 2016:

Fiscal Years Ending	Davis-Grunsky Loan (Water Fund)		
	Principal	Interest	Total
2017	\$ 65,274	\$ 3,907	\$ 69,181
2018	66,791	2,378	69,169
2019	<u>68,348</u>	<u>803</u>	<u>69,151</u>
Totals	<u>\$ 200,413</u>	<u>\$ 7,088</u>	<u>\$ 207,501</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 loan was paid off in July 2016.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

2008 Certificates of Participation (Water Fund)

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

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

The following is a schedule of the future estimated payments related to the 2008 Certificates of Participation at June 30, 2016:

Fiscal Years Ending	2008 Certificates of Participation (Water Fund)		
	Principal	Interest	Total
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	570,000	523,218	1,093,218
2022-2026	3,275,000	2,269,665	5,544,665
2027-2031	4,125,000	1,584,627	5,709,627
2032-2036	5,190,000	721,680	5,911,680
2037	<u>1,190,000</u>	<u>22,134</u>	<u>1,212,134</u>
Totals	<u>\$ 16,385,000</u>	<u>\$ 7,412,379</u>	<u>\$ 23,797,379</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, 2016, the swap had a fair value of (\$4,431,582). The Counterparty states that the valuation is based on a proprietary model.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

2008 Certificates of Participation (Water Fund) (Continued)

*Credit Risk.* As of June 30, 2016, 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, 2016:

Fiscal Years Ending	2012A Water Revenue Refunding Bonds		
	Principal	Interest	Total
2017	\$ 160,000	\$ 148,388	\$ 308,388
2018	165,000	143,588	308,588
2019	170,000	138,638	308,638
2020	175,000	133,538	308,538
2021	180,000	128,288	308,288
2022-2026	975,000	557,188	1,532,188
2027-2031	1,145,000	389,531	1,534,531
2032-2036	1,375,000	164,975	1,539,975
Totals	\$ 4,345,000	\$ 1,804,134	\$ 6,149,134

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 three items to report in this category, which are \$4,431,582 related to a derivative instrument – interest rate swap, \$311,911 related to a deferred refunding of long-term debt, and \$805,398 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 \$938,138 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	\$ 5,070,455	\$ 8,253,618	\$ 251,672	\$ 13,575,745
	<u>\$ 5,070,455</u>	<u>\$ 8,253,618</u>	<u>\$ 251,672</u>	<u>\$ 13,575,745</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

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

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2016 are summarized as follows:

	<b>Miscellaneous</b>	
	<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	8.512%	6.237%
	<b>Safety</b>	
	<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	16.523%	11.153%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$333,018 for the fiscal year ended June 30, 2016.

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

The City’s contributions to the plan for the year ended June 30, 2016 were \$670,378.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$5,560,451.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.0890%
Proportion - June 30, 2015	0.0810%
Change - Increase (Decrease)	-0.0080%

For the year ended June 30, 2016, the City recognized pension expense of \$149,454. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 699,724	\$ -
Changes of assumptions	-	406,780
Differences between actual and expected experience	5,172	47,126
Net differences between projected and actual earnings on plan investments	-	205,368
Change in employer's proportion	3,168	213,792
Differences between the employer's actual contributions and the employer's proportionate share of contributions	97,334	65,072
Total	<u>\$ 805,398</u>	<u>\$ 938,138</u>

\$699,724 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (373,921)
2018	(376,024)
2019	(338,277)
2020	255,758
2021	-
Thereafter	-

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% to 14.2% <sup>(1)</sup>
Investment Rate of Return	7.5% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership data for all Funds <sup>(3)</sup>

<sup>(1)</sup>Depending on age, service and type of employment

<sup>(2)</sup>Net of pension plan investment expenses, including inflation

<sup>(3)</sup>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, 2014 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.

**Change of Assumptions** – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.50 percent used the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

**D. Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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 discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

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

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**D. Discount Rate (Continued)**

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<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	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	<u>100.00%</u>		

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

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

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

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

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.65%	7.65%	8.65%
\$ 9,185,572	\$ 5,560,451	\$ 2,576,035

**E. Pension Plan Fiduciary Net Position**

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

**F. Payable to the Pension Plan**

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 – RISK MANAGEMENT**

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

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

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

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

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2016:

Total assets	\$ 92,743,162
Total liabilities	<u>77,308,330</u>
Member's equity	<u>\$ 15,434,832</u>
Total revenues	\$ 40,220,653
Total expenses	<u>37,742,471</u>
Excess of expenses (loss) over income	<u>\$ 2,478,182</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.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016:

Transportation and Streets Special Revenue Fund:

Capital outlay:	
General Government	\$15,276

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

**NOTE 14 – SEGMENT INFORMATION**

Segment information for the Water Fund for the year ended June 30, 2016 is as follows:

	<u>Water Fund</u>
<b>CONDENSED STATEMENT OF NET POSITION</b>	
Assets:	
Current assets	\$ 6,449,601
Noncurrent assets	22,453,636
Total assets	28,903,237
Deferred outflows of resources	4,783,877
Liabilities:	
Current liabilities	1,182,990
Noncurrent liabilities	24,908,363
Total liabilities	26,091,353
Deferred inflows of resources	92,771
Net Position:	
Net investment in capital assets	1,264,756
Restricted	603,900
Unrestricted	5,634,334
Total net position	\$ 7,502,990
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	
Operating revenues	\$ 4,161,988
Depreciation expenses	(1,106,342)
Other operating expenses	(2,774,970)
Operating income (loss)	280,676
Nonoperating revenues (expenses):	
Other nonoperating revenue	70,718
Investment income	23,725
Interest expense	(718,552)
Total nonoperating revenues (expenses)	(624,109)
Changes in net position	(343,433)
Beginning net position	7,846,423
Ending net position	\$ 7,502,990
<b>CONDENSED STATEMENT OF CASH FLOWS</b>	
Net cash provided (used) by:	
Operating activities	\$ 1,457,003
Noncapital financing activities	70,718
Capital and related financing activities	(2,588,591)
Investing activities	20,413
Net increase (decrease) in cash and cash equivalents	(1,040,457)
Beginning cash and cash equivalents	7,201,811
Ending cash and cash equivalents	\$ 6,161,354

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 in the General Fund to correct prior year errors related to accounts payable.

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

	<u>Governmental Activities</u>	<u>General Fund</u>
Fund balance/net position, June 30, 2015, as previously reported	\$ 25,651,410	\$ 4,384,775
Prior period adjustments:		
Understatement of accounts payable	(60,150)	(60,150)
Understatement of housing loan receivable	<u>1,282,303</u>	<u>-</u>
Total prior period adjustments	<u>1,222,153</u>	<u>(60,150)</u>
Fund balance/net position, July 1, 2015, as restated	<u>\$ 26,873,563</u>	<u>\$ 4,324,625</u>

**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.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Cash and Investments**

A reconciliation of the Successor Agency Trust Fund's cash and investment balances as of June 30, 2016 is as follows:

Cash and Investments	\$ 6,106
Cash with fiscal agent	<u>2,956,885</u>
Total cash	<u>\$ 2,962,991</u>

**Capital Assets**

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 25,401	\$ -	\$ -	\$ 25,401
Total capital assets not being depreciated	<u>25,401</u>	<u>-</u>	<u>-</u>	<u>25,401</u>
Capital assets being depreciated:				
Buildings and other improvements	3,352,184	-	-	3,352,184
Infrastructure	<u>1,666,725</u>	<u>-</u>	<u>-</u>	<u>1,666,725</u>
Total capital assets being depreciated	<u>5,018,909</u>	<u>-</u>	<u>-</u>	<u>5,018,909</u>
Less accumulated depreciation for:				
Buildings and other improvements	(1,436,574)	(83,642)	-	(1,520,216)
Infrastructure	<u>(440,104)</u>	<u>(41,668)</u>	<u>-</u>	<u>(481,772)</u>
Total accumulated depreciation	<u>(1,876,678)</u>	<u>(125,310)</u>	<u>-</u>	<u>(2,001,988)</u>
Total capital assets being depreciated, net	<u>3,142,231</u>	<u>(125,310)</u>	<u>-</u>	<u>3,016,921</u>
Governmental activities capital assets, net	<u>\$ 3,167,632</u>	<u>\$ (125,310)</u>	<u>\$ -</u>	<u>\$ 3,042,322</u>

**Long-term Debt**

The following is a summary of long-term obligation transactions for the Successor Agency Trust Fund at June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
2004 Tax Allocation Bonds	\$ 3,160,000	\$ -	\$ (220,000)	\$ 2,940,000	\$ 2,940,000	\$ -
Less: Tax Allocation Bonds Discount	(236,132)	-	236,132	-	-	-
2016 Tax Allocation Refunding Bond	<u>-</u>	<u>2,518,000</u>	<u>-</u>	<u>2,518,000</u>	<u>-</u>	<u>2,518,000</u>
Total	<u>\$ 2,923,868</u>	<u>\$ 2,518,000</u>	<u>\$ 16,132</u>	<u>\$ 5,458,000</u>	<u>\$ 2,940,000</u>	<u>\$ 2,518,000</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Long-term Debt (Continued)**

2004 Tax Allocation Refunding 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. The Bonds were refunded in an advanced refunding by the 2016 Tax Allocation Bonds. Accordingly, the bonds will be retired in the 2017 fiscal year.

2016 Tax Allocation Refunding Bonds

The 2004 Tax Allocation Refunding Bonds were issued on June 30, 2016, by the Successor Agency to the Corcoran Redevelopment Agency to refund the 2004 Tax Allocation Refunding Bonds issued by the Agency. Bonds authorized and issued have an interest rate of 2.44% and mature August 1, 2017.

Annual debt service requirements to maturity for the 2016 Tax Allocation Refunding Bonds are as follows:

<u>Fiscal Years Ending</u>	<u>2016 Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 40,789	\$ 81,578
2018	281,000	59,731	340,731
2019	287,000	52,838	339,838
2020	293,000	45,799	338,799
2021	303,000	38,589	341,589
2022-2026	883,000	100,296	983,296
2027-2031	<u>471,000</u>	<u>31,488</u>	<u>502,488</u>
Totals	<u>\$ 2,518,000</u>	<u>\$ 369,530</u>	<u>\$ 2,928,319</u>

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## 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, 2016**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 335,000	\$ 335,000	\$ 283,880	\$ (51,120)
Other taxes	1,319,000	1,319,000	1,304,615	(14,385)
Licenses and permits	221,200	221,200	209,695	(11,505)
Intergovernmental	2,308,664	2,308,664	2,458,676	150,012
Charges for services	91,800	91,800	104,414	12,614
Fines and penalties	28,200	28,200	28,823	623
Use of money and property	-	-	332,813	332,813
Grant drawdowns	85,500	85,500	79,011	(6,489)
Miscellaneous	203,000	203,000	264,704	61,704
Total revenues	<u>4,592,364</u>	<u>4,592,364</u>	<u>5,066,631</u>	<u>474,267</u>
<b>EXPENDITURES</b>				
Current:				
General government	536,605	536,605	520,249	16,356
Public safety	4,060,622	4,060,622	3,800,157	260,465
Public works	526,267	526,267	199,578	326,689
Parks and recreation	321,101	321,101	305,436	15,665
Capital outlay:				
General government	-	-	15,276	(15,276)
Total expenditures	<u>5,444,595</u>	<u>5,444,595</u>	<u>4,840,696</u>	<u>603,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(852,231)</u>	<u>(852,231)</u>	<u>225,935</u>	<u>1,078,166</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	20,693	20,693
Operating transfers in	60,000	10,000	10,000	-
Operating transfers out	(60,000)	(60,000)	-	60,000
Total other financing sources (uses)	<u>-</u>	<u>(50,000)</u>	<u>30,693</u>	<u>80,693</u>
Net change in fund balances	(852,231)	(902,231)	256,628	1,158,859
Fund balances - beginning	<u>4,384,775</u>	<u>4,384,775</u>	<u>4,384,775</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,472,394</u>	<u>\$ 3,422,394</u>	<u>\$ 4,581,253</u>	<u>\$ 1,158,859</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, 2016**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grant drawdowns	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Loan repayments	12,000	12,000	165,009	153,009
Miscellaneous	<u>-</u>	<u>-</u>	<u>80,336</u>	<u>80,336</u>
Total revenues	<u>362,000</u>	<u>362,000</u>	<u>245,345</u>	<u>(116,655)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>215,933</u>	<u>215,933</u>	<u>45,522</u>	<u>170,411</u>
Total expenditures	<u>215,933</u>	<u>215,933</u>	<u>45,522</u>	<u>170,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>146,067</u>	<u>146,067</u>	<u>199,823</u>	<u>53,756</u>
Net change in fund balances	146,067	146,067	199,823	53,756
Fund balances - beginning	<u>6,971</u>	<u>6,971</u>	<u>6,971</u>	<u>-</u>
Fund balances - ending	<u>\$ 153,038</u>	<u>\$ 153,038</u>	<u>\$ 206,794</u>	<u>\$ 53,756</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, 2016**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grant drawdowns	\$ -	\$ -	\$ 100,239	\$ 100,239
Loan repayments	130,000	130,000	415,231	285,231
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,272</u>	<u>1,272</u>
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>516,742</u>	<u>386,742</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>1,183,358</u>	<u>1,183,358</u>	<u>390,243</u>	<u>793,115</u>
Total expenditures	<u>1,183,358</u>	<u>1,183,358</u>	<u>390,243</u>	<u>793,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,053,358)</u>	<u>(1,053,358)</u>	<u>126,499</u>	<u>1,179,857</u>
Net change in fund balances	(1,053,358)	(1,053,358)	126,499	1,179,857
Fund balances - beginning	<u>213,590</u>	<u>213,590</u>	<u>213,590</u>	<u>-</u>
Fund balances - ending	<u>\$ (839,768)</u>	<u>\$ (839,768)</u>	<u>\$ 340,089</u>	<u>\$ 1,179,857</u>

**CITY OF CORCORAN**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016**

	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability	0.08900%	0.08100%
Proportionate share of the net pension liability	\$ 5,588,247	\$ 5,560,451
Covered payroll	\$ 3,670,305	\$ 3,415,899
Proportionate Share of the net pension liability as percentage of covered payroll	152.26%	162.78%
Plan fiduciary net position as a percentage of the total pension liability	77.90%	79.05%

**Notes to Schedule:**

**Change in Benefit Terms.** None

**Change in Assumptions**

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

**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, 2016**

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 687,235	\$ 670,378
Contributions in relation to the actuarially determined contributions	<u>(687,235)</u>	<u>(670,378)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,670,305	\$ 3,415,899
Contributions as a percentage of covered payroll	18.72%	19.63%

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

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## OTHER SUPPLEMENTARY INFORMATION

## NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The City maintains 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 **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 Traffic Congestion Relief Program, and federal 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 **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, 2016**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments:			
Unrestricted	\$ 2,312,651	\$ 5,019	\$ 2,317,670
Receivables	<u>489,651</u>	<u>28</u>	<u>489,679</u>
Due from other funds	-	-	-
Prepaid expenses	<u>769</u>	<u>-</u>	<u>769</u>
 Total assets	 <u>\$ 2,803,071</u>	 <u>\$ 5,047</u>	 <u>\$ 2,808,118</u>
<b>LIABILITIES</b>			
Accounts payable	7,066	-	7,066
Deposits	<u>700</u>	<u>-</u>	<u>700</u>
 Total liabilities	 <u>7,766</u>	 <u>-</u>	 <u>7,766</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	<u>251,672</u>	<u>-</u>	<u>251,672</u>
 Total deferred inflows of resources	 <u>251,672</u>	 <u>-</u>	 <u>251,672</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenses	769	-	769
Restricted for:			
Debt service	-	5,047	5,047
Community development	57,225	-	57,225
Public safety	144,281	-	144,281
Public works	138,453	-	138,453
Transportation and street	2,090,815	-	2,090,815
Parks and recreation	<u>112,090</u>	<u>-</u>	<u>112,090</u>
 Total fund balances	 <u>2,543,633</u>	 <u>5,047</u>	 <u>2,548,680</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,803,071</u>	 <u>\$ 5,047</u>	 <u>\$ 2,808,118</u>

**CITY OF CORCORAN  
COMBINING STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 40,224	\$ -	\$ 40,224
Use of money and property	12,228	74,537	86,765
Charges for services	39,689	-	39,689
Intergovernmental revenues	739,176	-	739,176
Grant drawdowns	93,916	-	93,916
Repayment of loans	29,688	-	29,688
Miscellaneous	48,493	-	48,493
Total revenues	<u>1,003,414</u>	<u>74,537</u>	<u>1,077,951</u>
<b>EXPENDITURES</b>			
Current services:			
General government	1,664	-	1,664
Community development	26,306	-	26,306
Public works	461,279	-	461,279
Public safety	28,346	-	28,346
Public safety	131,493	-	131,493
Parks and recreation	20,268	-	20,268
Debt service:			
Principal retirement	-	140,000	140,000
Interest and fiscal charges	-	10,938	10,938
Total expenditures	<u>669,356</u>	<u>150,938</u>	<u>820,294</u>
Excess (deficiency) of revenues over (under) expenditures	<u>334,058</u>	<u>(76,401)</u>	<u>257,657</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	324,058	(76,401)	247,657
Fund balances - beginning	<u>2,219,575</u>	<u>81,448</u>	<u>2,301,023</u>
Fund balances - ending	<u>\$ 2,543,633</u>	<u>\$ 5,047</u>	<u>\$ 2,548,680</u>

**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016**

	Housing Authority	Public Safety	Parks Capital	Transportation and Streets	Assessment Districts	Totals
<b>ASSETS</b>						
Cash and investments:						
Unrestricted	\$ 57,895	\$ 144,281	\$ 112,090	\$ 1,870,646	\$ 127,739	\$ 2,312,651
Receivables	251,853	-	-	226,057	11,741	489,651
Prepaid expenses	31	-	-	738	-	769
<b>Total assets</b>	<b><u>\$ 309,779</u></b>	<b><u>\$ 144,281</u></b>	<b><u>\$ 112,090</u></b>	<b><u>\$ 2,097,441</u></b>	<b><u>\$ 139,480</u></b>	<b><u>\$ 2,803,071</u></b>
<b>LIABILITIES</b>						
Accounts payable	151	-	-	5,888	1,027	7,066
Deposits	700	-	-	-	-	700
<b>Total liabilities</b>	<b><u>851</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,888</u></b>	<b><u>1,027</u></b>	<b><u>7,766</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	251,672	-	-	-	-	251,672
<b>Total deferred inflows of resources</b>	<b><u>251,672</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>251,672</u></b>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid expenses	31	-	-	738	-	769
Restricted for:						
Community development	57,225	-	-	-	-	57,225
Public safety	-	144,281	-	-	-	144,281
Public works	-	-	-	-	138,453	138,453
Transportation and street	-	-	-	2,090,815	-	2,090,815
Parks and recreation	-	-	112,090	-	-	112,090
<b>Total fund balances</b>	<b><u>57,256</u></b>	<b><u>144,281</u></b>	<b><u>112,090</u></b>	<b><u>2,091,553</u></b>	<b><u>138,453</u></b>	<b><u>2,543,633</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 309,779</u></b>	<b><u>\$ 144,281</u></b>	<b><u>\$ 112,090</u></b>	<b><u>\$ 2,097,441</u></b>	<b><u>\$ 139,480</u></b>	<b><u>\$ 2,803,071</u></b>

**CITY OF CORCORAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Housing Authority	Public Safety	Parks Capital	Transportation and Streets	Assessment Districts	Totals
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 40,224	\$ 40,224
Intergovernmental revenues	-	-	-	739,176	-	739,176
Charges for services	-	-	39,689	-	-	39,689
Use of money and property	4,458	444	85	7,152	89	12,228
Grant drawdowns	-	93,916	-	-	-	93,916
Repayment of loans	29,688	-	-	-	-	29,688
Miscellaneous	3,924	44,369	-	200	-	48,493
<b>Total revenues</b>	<u>38,070</u>	<u>138,729</u>	<u>39,774</u>	<u>746,528</u>	<u>40,313</u>	<u>1,003,414</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	1,664	1,664
Community development	26,306	-	-	-	-	26,306
Public safety	-	28,346	-	-	-	28,346
Public works	-	-	-	445,952	15,327	461,279
Capital outlay:						
Public safety	-	131,493	-	-	-	131,493
Parks and recreation	-	-	20,268	-	-	20,268
<b>Total expenditures</b>	<u>26,306</u>	<u>159,839</u>	<u>20,268</u>	<u>445,952</u>	<u>16,991</u>	<u>669,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,764</u>	<u>(21,110)</u>	<u>19,506</u>	<u>300,576</u>	<u>23,322</u>	<u>334,058</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers out	-	(10,000)	-	-	-	(10,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	11,764	(31,110)	19,506	300,576	23,322	324,058
Fund balances - beginning	<u>45,492</u>	<u>175,391</u>	<u>92,584</u>	<u>1,790,977</u>	<u>115,131</u>	<u>2,219,575</u>
Fund balances - ending	<u>\$ 57,256</u>	<u>\$ 144,281</u>	<u>\$ 112,090</u>	<u>\$ 2,091,553</u>	<u>\$ 138,453</u>	<u>\$ 2,543,633</u>

**CITY OF CORCORAN  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b><u>ASSETS SEIZURES (UNPROCESSED)</u></b>				
<b>ASSETS</b>				
Cash	\$ 750	\$ -	\$ -	\$ 750
Total assets	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 750	\$ -	\$ -	\$ 750
Total liabilities	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>
<b><u>KINGS COUNTY CDBG</u></b>				
<b>ASSETS</b>				
Cash	\$ 14,792	\$ 121,203	\$ (113,214)	\$ 22,781
Receivables:				
Notes	1,029,498	-	(119,124)	910,374
Total assets	<u>\$ 1,044,290</u>	<u>\$ 121,203</u>	<u>\$ (232,338)</u>	<u>\$ 933,155</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 1,044,290	\$ 121,203	\$ (232,338)	\$ 933,155
Total liabilities	<u>\$ 1,044,290</u>	<u>\$ 121,203</u>	<u>\$ (232,338)</u>	<u>\$ 933,155</u>
<b><u>CAFETERIA PLAN FUND</u></b>				
<b>ASSETS</b>				
Cash	\$ 1,233	\$ 7,400	\$ (3,275)	\$ 5,358
Receivables:				
Notes	-	3,371	-	3,371
Total assets	<u>\$ 1,233</u>	<u>\$ 10,771</u>	<u>\$ (3,275)</u>	<u>\$ 8,729</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 1,233	\$ 10,771	\$ (3,275)	\$ 8,729
Total liabilities	<u>\$ 1,233</u>	<u>\$ 10,771</u>	<u>\$ (3,275)</u>	<u>\$ 8,729</u>
<b><u>POLICE ACTIVITIES LEAGUE</u></b>				
<b>ASSETS</b>				
Cash	\$ -	\$ 9,666	\$ (6,482)	\$ 3,184
<b>LIABILITIES</b>				
Due to other agencies	\$ -	\$ 9,666	\$ (6,482)	\$ 3,184
Total liabilities	<u>\$ -</u>	<u>\$ 9,666</u>	<u>\$ (6,482)</u>	<u>\$ 3,184</u>
<b><u>TOTAL</u></b>				
<b>ASSETS</b>				
Cash	\$ 16,775	\$ 138,269	\$ (122,971)	\$ 32,073
Receivables:				
Notes	1,029,498	3,371	(119,124)	913,745
Total assets	<u>\$ 1,046,273</u>	<u>\$ 141,640</u>	<u>\$ (242,095)</u>	<u>\$ 945,818</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 1,046,273	\$ 141,640	\$ (242,095)	\$ 945,818
Total liabilities	<u>\$ 1,046,273</u>	<u>\$ 141,640</u>	<u>\$ (242,095)</u>	<u>\$ 945,818</u>

**CITY OF CORCORAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	Program Income	\$ 29,529
Total Community Development Block Grants			<u>29,529</u>
HOME Investment Partnerships Program:			
(State HOME Program)	14.239	12-HOME-8561	22,262
(State HOME Program)	14.239	Program Income	<u>289,676</u>
Total HOME Investment Partnerships Program			<u>311,938</u>
Total U.S. Department of Housing and Urban Development			<u>341,467</u>
U.S. Department of Transportation (DOT):			
Passed through Kings County Association of Governments:			
Formula Grants for Rural Areas - Operating	20.509	64B017-00369	40,555
Passed through the State of California:			
Formula Grants for Rural Areas - Operating	20.509	64B017-00369	111,872
Formula Grants for Rural Areas - Capital	20.509	6414004	<u>288,527</u>
Total U.S. Department of Transportation			<u>440,954</u>
Total expenditures of federal awards			<u>\$ 782,421</u>

**CITY OF CORCORAN  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**General**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Corcoran. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance).

**Basis of Presentation**

The accompanying SEFA is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

**Relationship to Basic Financial Statements**

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

**Indirect Cost Rate**

The City has elected not to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2017.

#### **Internal Control over Financial Reporting**

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

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

*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 entity'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 identified as 2016-002 and 2016-004 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the schedule of findings and questioned costs identified as 2016-001 and 2016-003 to be significant deficiencies.

## **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's Response to Findings**

The City of Corcoran's responses to the findings identified in our audit are described in the accompanying corrective action plan following the Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Price Pange & Company*

Clovis, California  
March 31, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

677 Scott Avenue  
Clovis, CA 93612  
tel 559.299.9540  
fax 559.299.2344

## 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Price Pange & Company*

Clovis, California  
March 31, 2017

## FINDINGS AND QUESTIONED COSTS

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**CITY OF CORCORAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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?  X  Yes   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 2 CFR 200.516(a)?   Yes  X  No

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA Number(s)</u> 20.509	<u>Name of Federal Program or Cluster</u> Formula Grants for Rural Ares
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

**CITY OF CORCORAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001      Capital Assets (Significant Deficiency)**

**Condition:** The City’s capital assets balances for governmental and business type activities were not accurately stated.

**Criteria:** Generally accepted accounting principles requires that the amount reported as capital assets be properly valued and accurately presented in the City’s financial statements.

**Cause:** City personnel did not adjust its depreciation schedule to changes that occurred during its prior year audit. Accordingly, the opening capital asset balances included in the City’s depreciation schedule did not reconcile to the ending balances in the City’s 2015 fiscal year financial statements.

**Effect:** Capital asset balances per the City’s depreciation schedule included misstatements exceeding \$1,000,000. Additionally, the related depreciation expense and accumulated depreciation were also incorrectly calculated.

**Recommendation:** We recommend that the City establish a process to accurately reconcile opening balances in the City’s depreciation schedule to the capital assets reported in the City prior year audited financial statements.

**Finding 2016-002      Payroll Liabilities (Material Weakness)**

**Condition:** The City did not properly record the allocation of benefit payments against accrued payroll liabilities each pay period.

**Criteria:** A strong system of internal controls and management review requires that the allocation of payments are reviewed to ensure they match corresponding liabilities.

**Cause:** The City used an outdated schedule to allocate the payments of payroll benefits that did not match the allocation of the corresponding liabilities posted to the accounting system.

**Effect:** Payroll liabilities and cash were misstated in various funds by various amounts that offset when the entire amount is taken into consideration.

**Recommendation:** We recommend that the City establish controls that ensure that the payments of payroll liabilities are recorded in a manner that accurately reconciles with the corresponding liabilities and that there is adequate management review of this process.

**CITY OF CORCORAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS** (Continued)

**Finding 2016-003**      **Accounts Payable (Significant Deficiency)**

**Condition:**                    The City did not accurately accrue an invoice relating to utility services provided in the subsequent fiscal year.

**Criteria:**                     A strong system of internal controls and management review requires that all invoices received subsequent to the end of the fiscal year be reviewed to determine the appropriate period of recognition.

**Cause:**                        City personnel did not perform a comprehensive review of all invoices received subsequent to the fiscal year end date.

**Effect:**                        Accounts payable and related expenditures were overstated by approximately \$165,953.

**Recommendation:**        We recommend that the City establish a process to comprehensively review all invoices received subsequent to the fiscal year end and a management review is performed

**Finding 2016-004**      **Overhead Cost Allocation (Material Weakness)**

**Condition:**                    The City did not utilize an updated methodology for allocating overhead costs in the current fiscal year.

**Criteria:**                     Generally accepted accounting standards state there should be a reasonable methodology for allocating overhead costs that is updated periodically to reflect currently existing economic conditions.

**Cause:**                        Finance personnel utilized an outdated overhead cost allocation schedule that has not been reviewed or updated for a significant amount of time.

**Effect:**                        Overhead allocations may not reasonably reflect current economic conditions currently existing in the City.

**Recommendation:**        We recommend that the City establish a reasonable methodology to allocate overhead costs and it is reviewed periodically, but at least annually, and that this methodology be reviewed and approved by City Council in conjunction with its annual budget authorization.

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

None identified

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL STATEMENT FINDING**

**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.

Status: Partially Implemented

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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.

Status: Implemented

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City of

# CORCORAN

A MUNICIPAL CORPORATION

FOUNDED 1914

CITY OF CORCORAN  
CORRECTIVE ACTION PLAN  
6/30/2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Establish a process to reconcile schedules to prior year audited financials.	April 2017	Soledad Ruiz-Nunez
2016-002	Accounts will be set up in the City's financial program in order to automate the process and avoid human error.	April 2017	Soledad Ruiz-Nunez
2016-003	Finance staff will review invoices and payment request thoroughly.	August 2017	Soledad Ruiz-Nunez
2016-004	City completed and implemented a cost allocation study in June 2016.	June 2016	Soledad Ruiz-Nunez



Soledad Ruiz-Nunez  
Finance Director

CITY OFFICES:

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