

**CITY OF CORCORAN
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

**CITY OF CORCORAN
JUNE 30, 2017**

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JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corcoran, California (the City) as of and for the year ended June 30, 2017, 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, 2017, 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 54-57, Proportionate Share of Net Pension Liability on page 58, and the Schedule of Contributions on page 59 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 combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, 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 27, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments:			
Unrestricted	\$ 10,020,289	\$ 8,725,706	\$ 18,745,995
Restricted	-	91,947	91,947
Cash with fiscal agent - restricted	-	874,133	874,133
Receivables, net of allowance	13,389,878	1,262,373	14,652,251
Prepaid expenses	-	93,824	93,824
Property held for resale	2,273,492	-	2,273,492
Internal balances	49,338	(49,338)	-
Capital assets:			
Nondepreciable	742,772	1,747,925	2,490,697
Depreciable, net of accumulated depreciation	<u>9,736,088</u>	<u>25,423,342</u>	<u>35,159,430</u>
Total assets	<u>36,211,857</u>	<u>38,169,912</u>	<u>74,381,769</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred refunding	-	4,340,639	4,340,639
Pension deferrals	<u>1,754,549</u>	<u>312,668</u>	<u>2,067,217</u>
Total deferred outflows of resources	<u>1,754,549</u>	<u>4,653,307</u>	<u>6,407,856</u>
LIABILITIES			
Accounts payable	529,202	528,917	1,058,119
Deposits	59,203	-	59,203
Interest payable	-	405,469	405,469
Unearned revenues	-	199,646	199,646
Noncurrent liabilities:			
Due within one year:			
Long-term debt	-	556,463	556,463
Compensated absences	187,924	45,790	233,714
Due in more than one year:			
Long-term debt	-	24,443,727	24,443,727
Compensated absences	130,785	6,536	137,321
Net pension liability	<u>5,913,253</u>	<u>1,214,814</u>	<u>7,128,067</u>
Total liabilities	<u>6,820,367</u>	<u>27,401,362</u>	<u>34,221,729</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>344,650</u>	<u>187,830</u>	<u>532,480</u>
Total deferred inflows of resources	<u>344,650</u>	<u>187,830</u>	<u>532,480</u>
NET POSITION			
Net investment in capital assets	10,478,860	6,605,540	17,084,400
Restricted for:			
Debt Service	5,202	966,080	971,282
Community development	14,157,338	-	14,157,338
Public safety	3,965,004	-	3,965,004
Public works	155,194	-	155,194
Transportation and streets	2,013,957	-	2,013,957
Parks and recreation	117,661	-	117,661
Unrestricted	<u>(91,827)</u>	<u>7,662,407</u>	<u>7,570,580</u>
Total net position	<u>\$ 30,801,389</u>	<u>\$ 15,234,027</u>	<u>\$ 46,035,416</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, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,533,096	\$ -	\$ -	\$ -	\$ (1,533,096)	\$ -	\$ (1,533,096)
Community development	469,483	69,058	402,886	-	2,461	-	2,461
Public safety	3,877,755	33,206	355,272	13,443	(3,475,834)	-	(3,475,834)
Public works	1,011,720	-	585,106	-	(426,614)	-	(426,614)
Parks and recreation	448,044	4,615	-	-	(443,429)	-	(443,429)
Total governmental activities	7,340,098	106,879	1,343,264	13,443	(5,876,512)	-	(5,876,512)
Business-type activities:							
Water	4,639,804	4,672,858	-	-	-	33,054	33,054
Sewer	1,100,828	998,512	-	-	-	(102,316)	(102,316)
Refuse	1,819,926	1,759,412	-	-	-	(60,514)	(60,514)
Storm drain	285,762	316,128	-	-	-	30,366	30,366
Transit	1,017,073	81,390	733,289	-	-	(202,394)	(202,394)
Total business-type activities	8,863,393	7,828,300	733,289	-	-	(301,804)	(301,804)
Total	\$ 16,203,491	\$ 7,935,179	\$ 2,076,553	\$ 13,443	(5,876,512)	(301,804)	(6,178,316)
General revenues:							
Taxes:							
Property taxes					418,328	-	418,328
Sales and use taxes					1,073,078	-	1,073,078
Franchise taxes					250,108	-	250,108
Other taxes					174,833	-	174,833
Motor vehicle in-lieu					2,301,402	-	2,301,402
Investment income					50,893	66,443	117,336
Rental income					333,401	3,300	336,701
Miscellaneous					581,901	301,798	883,699
Transfers					59,000	(59,000)	-
Total general revenues					5,242,944	312,541	5,555,485
Change in net position					(633,568)	10,737	(622,831)
Net position - beginning, restated					31,434,957	15,223,290	46,658,247
Net position - ending					\$ 30,801,389	\$ 15,234,027	\$ 46,035,416

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, 2017

	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
ASSETS						
Cash and investments:	\$ 2,747,041	\$ 410,055	\$ 554,968	\$ 3,800,929	\$ 2,507,296	\$ 10,020,289
Receivables, net of allowance	155,183	4,681,063	8,300,030	8,028	245,574	13,389,878
Due from other funds	49,338	-	-	-	-	49,338
Property held for resale	<u>2,273,492</u>	-	-	-	-	<u>2,273,492</u>
Total assets	<u>\$ 5,225,054</u>	<u>\$ 5,091,118</u>	<u>\$ 8,854,998</u>	<u>\$ 3,808,957</u>	<u>\$ 2,752,870</u>	<u>\$ 25,732,997</u>
LIABILITIES						
Accounts payable	436,317	27,641	37,062	2,373	25,811	529,204
Deposits	<u>58,503</u>	-	-	-	700	<u>59,203</u>
Total liabilities	<u>494,820</u>	<u>27,641</u>	<u>37,062</u>	<u>2,373</u>	<u>26,511</u>	<u>588,407</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	<u>4,680,586</u>	<u>8,299,570</u>	-	<u>239,660</u>	<u>13,219,816</u>
Total deferred inflows of resources	-	<u>4,680,586</u>	<u>8,299,570</u>	-	<u>239,660</u>	<u>13,219,816</u>
FUND BALANCES						
Nonspendable:						
Property held for resale	\$ 2,273,492	\$ -	\$ -	\$ -	\$ -	\$ 2,273,492
Restricted for:						
Debt service	-	-	-	-	5,202	5,202
Community development	-	382,891	518,366	-	36,265	937,522
Public safety	-	-	-	3,806,584	158,420	3,965,004
Public works	-	-	-	-	155,194	155,194
Transportation and streets	-	-	-	-	2,013,957	2,013,957
Parks and recreation	-	-	-	-	117,661	117,661
Committed:						
RAO Construction	459,305	-	-	-	-	459,305
Unassigned	<u>1,997,437</u>	-	-	-	-	<u>1,997,437</u>
Total fund balances	<u>4,730,234</u>	<u>382,891</u>	<u>518,366</u>	<u>3,806,584</u>	<u>2,486,699</u>	<u>11,924,774</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,225,054</u>	<u>\$ 5,091,118</u>	<u>\$ 8,854,998</u>	<u>\$ 3,808,957</u>	<u>\$ 2,752,870</u>	<u>\$ 25,732,997</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, 2017**

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

Total fund balances - governmental funds		\$ 11,924,774
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.		10,478,860
Certain long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.		13,219,816
Pension related deferred outflows and inflows of resources are not reported in the governmental funds. These amounts consist of:		
Deferred outflows of resources	1,754,549	
Deferred inflows of resources	<u>(344,650)</u>	1,409,899
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	(318,707)	
Net pension liability	<u>(5,913,253)</u>	<u>(6,231,960)</u>
Net position of governmental activities		<u>\$ 30,801,389</u>

CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	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
REVENUES						
Property taxes	\$ 384,951	\$ -	\$ -	\$ -	\$ 33,895	\$ 418,846
Other taxes	1,370,818	-	-	-	-	1,370,818
Licenses and permits	129,847	-	-	-	-	129,847
Intergovernmental	2,469,826	-	-	-	581,404	3,051,230
Charges for services	96,471	-	-	-	4,615	101,086
Fines and penalties	47,845	-	-	-	-	47,845
Use of money and property	344,768	933	2,214	25,532	16,423	389,870
Grant drawdowns	33,389	-	306,326	-	147,790	487,505
Loan repayments	-	239,972	192,185	-	16,666	448,823
Miscellaneous	147,326	11,592	-	-	41,921	200,839
Total revenues	<u>5,025,241</u>	<u>252,497</u>	<u>500,725</u>	<u>25,532</u>	<u>842,714</u>	<u>6,646,709</u>
EXPENDITURES						
Current:						
General government	805,432	-	-	-	1,799	807,231
Community development	-	76,400	322,448	-	39,743	438,591
Public safety	3,885,880	-	-	15,189	22,804	3,923,873
Public works	205,077	-	-	-	537,937	743,014
Parks and recreation	336,142	-	-	-	-	336,142
Capital outlay:						
General government	233,008	-	-	-	-	233,008
Public safety	22,626	-	-	-	161,156	183,782
Total expenditures	<u>5,488,165</u>	<u>76,400</u>	<u>322,448</u>	<u>15,189</u>	<u>763,439</u>	<u>6,665,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(462,924)</u>	<u>176,097</u>	<u>178,277</u>	<u>10,343</u>	<u>79,275</u>	<u>(18,932)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	367,905	-	-	-	43,744	411,649
Operating transfers in	283,000	-	-	-	-	283,000
Operating transfers out	(39,000)	-	-	-	(185,000)	(224,000)
Total other financing sources (uses)	<u>611,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,256)</u>	<u>470,649</u>
Net change in fund balances	148,981	176,097	178,277	10,343	(61,981)	451,717
Fund balances - beginning, as restated	<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>
Fund balances - ending	<u>\$ 4,730,234</u>	<u>\$ 382,891</u>	<u>\$ 518,366</u>	<u>\$ 3,806,584</u>	<u>\$ 2,486,699</u>	<u>\$ 11,924,774</u>

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

CITY OF CORCORAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds	\$	451,717
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.		402,252
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.		(611,577)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an increase in net position.		(646,525)
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.		(33,243)
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.		159,736
Net change in unavailable revenue in the statement of activities does not provide current financial resources therefore are not reported as revenues in the governmental funds.		<u>(355,928)</u>
Change in net position of governmental activities	\$	<u>(633,568)</u>

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2017**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 6,451,534	\$ 1,265,674	\$ -	\$ 1,008,498	\$ -	\$ 8,725,706
Restricted	69,706	-	-	22,241	-	91,947
Cash with fiscal agent - restricted	874,133	-	-	-	-	874,133
Receivables, net of allowance	416,841	125,908	197,499	481,358	40,767	1,262,373
Prepays	93,824	-	-	-	-	93,824
Total current assets	<u>7,906,038</u>	<u>1,391,582</u>	<u>197,499</u>	<u>1,512,097</u>	<u>40,767</u>	<u>11,047,983</u>
Noncurrent assets:						
Capital assets:						
Nondepreciable	1,559,192	142,080	-	-	46,653	1,747,925
Depreciable, net of accumulated depreciation	20,015,870	2,184,608	-	1,786,415	1,436,449	25,423,342
Total noncurrent assets	<u>21,575,062</u>	<u>2,326,688</u>	<u>-</u>	<u>1,786,415</u>	<u>1,483,102</u>	<u>27,171,267</u>
Total assets	<u>29,481,100</u>	<u>3,718,270</u>	<u>197,499</u>	<u>3,298,512</u>	<u>1,523,869</u>	<u>38,219,250</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred refunding	4,340,639	-	-	-	-	4,340,639
Pension deferrals	115,777	65,034	7,559	107,730	16,568	312,668
Total deferred outflows of resources	<u>4,456,416</u>	<u>65,034</u>	<u>7,559</u>	<u>107,730</u>	<u>16,568</u>	<u>4,653,307</u>
LIABILITIES						
Current liabilities:						
Accounts payable	307,868	54,753	135,315	21,078	9,903	528,917
Interest payable	405,469	-	-	-	-	405,469
Unearned revenue	-	-	-	199,646	-	199,646
Due to other funds	-	-	20,255	-	29,083	49,338
Compensated absences	18,012	14,039	230	13,509	-	45,790
Long-term debt	556,463	-	-	-	-	556,463
Total current liabilities	<u>1,287,812</u>	<u>68,792</u>	<u>155,800</u>	<u>234,233</u>	<u>38,986</u>	<u>1,785,623</u>
Noncurrent liabilities:						
Compensated absences	6,466	-	70	-	-	6,536
Long-term debt	24,443,727	-	-	-	-	24,443,727
Net pension liability	449,796	252,690	29,255	418,712	64,361	1,214,814
Total noncurrent liabilities	<u>24,899,989</u>	<u>252,690</u>	<u>29,325</u>	<u>418,712</u>	<u>64,361</u>	<u>25,665,077</u>
Total liabilities	<u>26,187,801</u>	<u>321,482</u>	<u>185,125</u>	<u>652,945</u>	<u>103,347</u>	<u>27,450,700</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	71,538	39,604	5,159	61,201	10,328	187,830
Total deferred inflows of resources	<u>71,538</u>	<u>39,604</u>	<u>5,159</u>	<u>61,201</u>	<u>10,328</u>	<u>187,830</u>
NET POSITION						
Net investment in capital assets	1,009,335	2,326,688	-	1,786,415	1,483,102	6,605,540
Restricted for:						
Debt service	943,839	-	-	22,241	-	966,080
Unrestricted	5,725,003	1,095,530	14,774	883,440	(56,340)	7,662,407
Total net position	<u>7,678,177</u>	<u>3,422,218</u>	<u>14,774</u>	<u>2,692,096</u>	<u>1,426,762</u>	<u>15,234,027</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,937,516</u>	<u>\$ 3,783,304</u>	<u>\$ 205,058</u>	<u>\$ 3,406,242</u>	<u>\$ 1,540,437</u>	<u>\$ 42,872,557</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, 2017

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,672,648	\$ 998,512	\$ 1,759,412	\$ 81,390	\$ 307,805	\$ 7,819,767
Connection fees	210	-	-	-	8,323	8,533
Total operating revenues	<u>4,672,858</u>	<u>998,512</u>	<u>1,759,412</u>	<u>81,390</u>	<u>316,128</u>	<u>7,828,300</u>
OPERATING EXPENSES:						
Personnel costs	431,527	263,345	21,427	471,867	61,263	1,249,429
Maintenance and supplies	1,424,038	448,067	1,624,656	68,343	29,599	3,594,703
Depreciation	1,128,459	204,772	2	159,436	90,284	1,582,953
Administrative and allocated costs	413,892	184,644	173,841	317,427	104,616	1,194,420
Total operating expenses	<u>3,397,916</u>	<u>1,100,828</u>	<u>1,819,926</u>	<u>1,017,073</u>	<u>285,762</u>	<u>7,621,505</u>
Operating income (loss)	<u>1,274,942</u>	<u>(102,316)</u>	<u>(60,514)</u>	<u>(935,683)</u>	<u>30,366</u>	<u>206,795</u>
NONOPERATING REVENUES (EXPENSES):						
Interest income	41,504	8,306	-	5,054	2,091	56,955
Rental income	-	9,488	-	3,300	-	12,788
Grants	-	-	-	116,537	-	116,537
Development fees	6,978	26,472	-	-	-	33,450
Intergovernmental	-	-	-	616,752	-	616,752
Other revenues	184	-	-	264	-	448
Insurance income	4,900	-	-	-	-	4,900
Gain (loss) on sale of assets	263,000	-	-	-	-	263,000
Bond issuance costs	(390,475)	-	-	-	-	(390,475)
Interest and fiscal charges	(851,413)	-	-	-	-	(851,413)
Total nonoperating revenues (expenses)	<u>(925,322)</u>	<u>44,266</u>	<u>-</u>	<u>741,907</u>	<u>2,091</u>	<u>(137,058)</u>
Income before transfers	<u>349,620</u>	<u>(58,050)</u>	<u>(60,514)</u>	<u>(193,776)</u>	<u>32,457</u>	<u>69,737</u>
Operating transfers in	39,000	-	-	-	-	39,000
Operating transfers out	(98,000)	-	-	-	-	(98,000)
Change in net position	290,620	(58,050)	(60,514)	(193,776)	32,457	10,737
Net position - beginning, as restated	<u>7,387,557</u>	<u>3,480,268</u>	<u>75,288</u>	<u>2,885,872</u>	<u>1,394,305</u>	<u>15,223,290</u>
Net position - ending	<u>\$ 7,678,177</u>	<u>\$ 3,422,218</u>	<u>\$ 14,774</u>	<u>\$ 2,692,096</u>	<u>\$ 1,426,762</u>	<u>\$ 15,234,027</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, 2017**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,550,357	\$ 998,757	\$ 1,762,593	\$ 81,390	\$ 316,166	\$ 7,709,263
Cash payments to suppliers for goods and services	(1,554,446)	(480,259)	(1,605,093)	(60,651)	(21,388)	(3,721,837)
Cash payments to employees for services	(430,427)	(251,225)	(24,862)	(414,974)	(63,760)	(1,185,248)
Cash payments to other funds for allocated costs	(413,892)	(184,644)	(173,841)	(317,427)	(104,616)	(1,194,420)
Net cash provided (used) by operating activities	<u>2,151,592</u>	<u>82,629</u>	<u>(41,203)</u>	<u>(711,662)</u>	<u>126,402</u>	<u>1,607,758</u>
Cash flows from noncapital financing activities:						
Cash received from intergovernmental revenues	-	-	-	959,760	-	959,760
Cash received from developer fees	6,978	26,472	-	-	-	33,450
Advances to (from) other funds	373,900	-	20,255	-	(344,817)	49,338
Cash received from transfers from other funds	39,000	-	-	-	-	39,000
Cash payments for transfers to other funds	(98,000)	-	-	-	-	(98,000)
Cash received from other revenue	184	-	-	264	-	448
Net cash provided (used) by noncapital financing activities	<u>322,062</u>	<u>26,472</u>	<u>20,255</u>	<u>960,024</u>	<u>(344,817)</u>	<u>983,996</u>
Cash flows from capital and related financing activities:						
Cash received from additions to capital debt	15,761,272	-	-	-	-	15,761,272
Cash payments for principal paid on capital debt	(16,610,273)	-	-	-	-	(16,610,273)
Cash payments for interest on capital debt	321,936	-	-	-	-	321,936
Bond issuance costs	(390,475)	-	-	-	-	(390,475)
Cash payments for the acquisition of capital assets	(623,783)	(82,568)	-	-	(15,000)	(721,351)
Cash received from the sale of capital assets	263,000	-	-	-	-	263,000
Cash received from capital related insurance settlement	4,900	-	-	-	-	4,900
Net cash provided (used) by capital and related financing activities	<u>(1,273,423)</u>	<u>(82,568)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(1,370,991)</u>
Cash flows from investing activities:						
Cash received from interest on investments	33,788	6,986	318	3,819	1,668	46,579
Cash received from the rental of property	-	9,488	-	3,300	-	12,788
Net cash provided (used) by investing activities	<u>33,788</u>	<u>16,474</u>	<u>318</u>	<u>7,119</u>	<u>1,668</u>	<u>59,367</u>
Increase (decrease) in cash and cash equivalents	1,234,019	43,007	(20,630)	255,481	(231,747)	1,280,130
Cash and cash equivalents, beginning	<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>
Cash and cash equivalents, ending	<u>\$ 7,395,373</u>	<u>\$ 1,265,674</u>	<u>\$ -</u>	<u>\$ 1,030,739</u>	<u>\$ -</u>	<u>\$ 9,691,786</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, 2017**

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)	\$ 1,274,942	\$ (102,316)	\$ (60,514)	\$ (935,683)	\$ 30,366	\$ 206,795
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,128,459	204,772	2	159,436	90,284	1,582,953
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(122,501)	245	3,181	-	38	(119,037)
(Increase) decrease in prepaid expenses	(92,201)	983	212	1,963	246	(88,797)
(Increase) decrease in deferred outflows of resources	(75,393)	(43,030)	(4,497)	(75,550)	(10,731)	(209,201)
Increase (decrease) in accounts payable	(38,207)	(33,175)	19,351	5,729	7,965	(38,337)
Increase (decrease) in compensated absences	(2,162)	4,237	(96)	4,750	(2,423)	4,306
Increase (decrease) in deferred inflows of resources	(21,233)	(11,158)	(2,032)	(12,725)	(3,153)	(50,301)
Increase (decrease) in net pension liability	99,888	62,071	3,190	140,418	13,810	319,377
Net cash provided (used) by operating activities	<u>\$ 2,151,592</u>	<u>\$ 82,629</u>	<u>\$ (41,203)</u>	<u>\$ (711,662)</u>	<u>\$ 126,402</u>	<u>\$ 1,607,758</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 6,451,534	\$ 1,265,674	\$ -	\$ 1,008,498	\$ -	\$ 8,725,706
Restricted	69,706	-	-	22,241	-	91,947
Cash with fiscal agent - restricted	<u>874,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,133</u>
Total Cash and cash equivalents	<u>\$ 7,395,373</u>	<u>\$ 1,265,674</u>	<u>\$ -</u>	<u>\$ 1,030,739</u>	<u>\$ -</u>	<u>\$ 9,691,786</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, 2017**

	<u>Agency Funds</u>	<u>Successor Agency Private Purpose Trust Fund</u>
ASSETS		
Cash and investments	\$ 41,589	\$ 198,556
Cash with fiscal agent	-	3,539
Receivables:		
Notes	887,506	-
Property held for resale	-	596,277
Capital assets, net	<u>-</u>	<u>2,917,011</u>
 Total assets	 <u>929,095</u>	 <u>3,715,383</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bond refunding	<u>-</u>	<u>208,735</u>
 Total deferred outflows of resources	 <u>-</u>	 <u>208,735</u>
LIABILITIES		
Bond payable	-	2,518,000
Due to other agencies	<u>929,095</u>	<u>27,747</u>
 Total liabilities	 <u>\$ 929,095</u>	 <u>2,545,747</u>
NET POSITION		
Held in trust		<u>\$ 1,378,371</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, 2017**

	<u>Successor Agency Private Purpose Trust Fund</u>
ADDITIONS	
Taxes	\$ 333,489
Other	<u>12</u>
Total additions	<u>333,501</u>
DEDUCTIONS	
Planning and community development	105,141
Depreciation	125,311
Interest	<u>94,346</u>
Total deductions	<u>324,798</u>
Change in net position	8,703
Net position - beginning, restated	<u>1,369,668</u>
Net position - ending	<u>\$ 1,378,371</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, 2017

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 a) it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, b) 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. The City's component unit has been "blended" as though it is 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 are generally 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, 2017

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 value. 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 a new police department.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 a private purpose trust fund to account for activities and changes in fiduciary net position of the Successor Agency. 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, 2017

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 funds 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, certain 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, 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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions

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

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

Receivables

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

Property Tax Calendar

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

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

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

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as unavailable revenue. Enterprise fund revenues are recorded as nonoperating 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.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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	20-40 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unavailable Revenue

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

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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. 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, 2017 is as follows:

Cash on hand	\$ 1,500
Deposits with financial institutions	897,919
Investments	<u>19,056,340</u>
 Total cash and investments	 <u><u>\$ 19,955,759</u></u>
 Government-Wide:	
Statement of Net Position:	
Cash and investments	\$ 18,837,942
Cash with fiscal agent	874,133
Fiduciary Funds:	
Statement of Net Position:	
Cash and investments	240,145
Cash with fiscal agent	<u>3,539</u>
 Total cash and investments	 <u><u>\$ 19,955,759</u></u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Investments Authorized by the Debt Agreements

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

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

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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	\$ 18,037,389	\$ 18,037,389	\$ -	\$ -	\$ -
CSJVRMA investment pool	141,279	141,279	-	-	-
Held by bond trustee:					
Money market funds	<u>877,672</u>	<u>877,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,056,340</u>	<u>\$ 19,056,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

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

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			AAA	Aaa-mf	Not Rated
State investment pool	\$ 18,037,389	\$ -	\$ -	\$ -	\$ 18,037,389
RMA investment pool	141,279	-	-	-	141,279
Held by bond trustee:					
Money market funds	<u>877,672</u>	<u>-</u>	<u>-</u>	<u>877,672</u>	<u>-</u>
Total	<u>\$ 19,056,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877,672</u>	<u>\$ 18,178,668</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City’s investments.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the carrying amount of the City's bank deposits was \$897,919 and the respective bank balances totaled \$892,325. 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 \$392,325 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, 2017 balance was \$18,037,389. 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, 2017:

- Investments in the Local Agency Investment Fund (LAIF) are valued at \$18,037,839 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 \$141,279 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, 2017**

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2017 consisted of the following for the governmental funds:

	General Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Police Department Construction Special Revenue Fund	Other Governmental Funds
Receivables:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 496
Interest	5,192	477	460	8,028	5,187
Other	149,991	-	-	-	229
Notes	-	4,680,586	8,299,570	-	239,662
Receivables, net	<u>\$ 155,183</u>	<u>4,681,063</u>	<u>\$ 8,300,030</u>	<u>\$ 8,028</u>	<u>\$ 245,574</u>

Receivables as of June 30, 2017 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 383,899	\$ 132,037	\$ 196,676	\$ -	\$ 41,921	\$ 754,533
Interest	14,963	2,777	-	1,842	741	20,323
Intergovernmental	-	-	-	479,516	-	479,516
Other	50,266	-	14,450	-	-	64,716
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>\$ 416,841</u>	<u>\$ 125,908</u>	<u>\$ 197,499</u>	<u>\$ 481,358</u>	<u>\$ 40,767</u>	<u>\$ 1,262,373</u>

NOTE 4 – INTERFUND TRANSACTIONS

Due to and From Other Funds

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

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

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
Major Funds:		
General Fund	\$ 49,338	\$ -
Enterprise Funds		
Major Funds:		
Refuse Fund	-	20,255
Storm Drain Fund	-	29,083
Total	<u>\$ 49,338</u>	<u>\$ 49,338</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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. Transfers within fund types have been eliminated with the government-wide financial statements.

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
General Fund	\$ 283,000	\$ 39,000
Nonmajor Funds:		
Economic Development Loan Programs Special Revenue Fund	-	150,000
Public Safety Special Revenue Fund	-	35,000
Enterprise Funds		
Major Funds:		
Water Fund	39,000	98,000
Total	\$ 322,000	\$ 322,000

NOTE 5 – NOTES RECEIVABLE

Notes receivable consisted of the following as of June 30, 2017:

	Major Funds		Nonmajor Funds	
	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Fund	Housing Authority Special Revenue Fund	Total
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	\$ 4,680,586	\$ -	\$ 239,660	\$ 4,920,246
Loans receivable under the HOME Investment Partnership Grant Program, secured by deeds of trust on the rehabilitated properties.	-	8,299,570	-	8,299,570
Total notes receivable	\$ 4,680,586	\$ 8,299,570	\$ 239,660	\$ 13,219,816

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, 2017

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 502,027	\$ -	\$ -	\$ 502,027
Construction in progress	670,036	202,012	(646,525)	225,523
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>202,012</u>	<u>(646,525)</u>	<u>742,772</u>
Capital assets being depreciated:				
Buildings and other improvements	6,642,014	-	-	6,642,014
Machinery and equipment	2,257,438	12,400	(25,964)	2,243,874
Infrastructure	7,484,689	-	-	7,484,689
Vehicles	<u>1,304,007</u>	<u>187,840</u>	<u>(260,148)</u>	<u>1,231,699</u>
Total capital assets being depreciated	<u>17,688,148</u>	<u>200,240</u>	<u>(286,112)</u>	<u>17,602,276</u>
Less accumulated depreciation for:				
Buildings and other improvements	(3,147,322)	(218,526)	-	(3,365,848)
Machinery and equipment	(2,043,491)	(96,244)	25,964	(2,113,771)
Infrastructure	(1,349,611)	(187,957)	-	(1,537,568)
Vehicles	<u>(1,000,299)</u>	<u>(108,850)</u>	<u>260,148</u>	<u>(849,001)</u>
Total accumulated depreciation	<u>(7,540,723)</u>	<u>(611,577)</u>	<u>286,112</u>	<u>(7,866,188)</u>
Total capital assets being depreciated, net	<u>10,147,425</u>	<u>(411,337)</u>	<u>-</u>	<u>9,736,088</u>
Governmental activities capital assets, net	<u>\$ 11,334,710</u>	<u>\$ (209,325)</u>	<u>\$ (646,525)</u>	<u>\$ 10,478,860</u>

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

Governmental Activities:	
General government	\$ 115,781
Community development	569
Public safety	179,840
Public works	207,305
Parks and recreation	<u>108,082</u>
Total	<u>\$ 611,577</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	<u>949,148</u>	<u>87,495</u>	<u>(73,101)</u>	<u>963,542</u>
Total capital assets not being depreciated	<u>1,935,131</u>	<u>87,495</u>	<u>(73,101)</u>	<u>1,949,525</u>
Capital assets being depreciated:				
Utility systems	47,655,444	555,890	-	48,211,334
Machinery and equipment	2,262,637	19,185	-	2,281,822
Vehicles	<u>1,566,013</u>	<u>131,882</u>	<u>-</u>	<u>1,697,895</u>
Total capital assets being depreciated	<u>51,484,094</u>	<u>706,957</u>	<u>-</u>	<u>52,191,051</u>
Less accumulated depreciation for:				
Utility systems	(22,872,562)	(1,362,079)	-	(24,234,641)
Machinery and equipment	(1,281,594)	(145,425)	-	(1,427,019)
Vehicles	<u>(1,232,200)</u>	<u>(75,449)</u>	<u>-</u>	<u>(1,307,649)</u>
Total accumulated depreciation	<u>(25,386,356)</u>	<u>(1,582,953)</u>	<u>-</u>	<u>(26,969,309)</u>
Total capital assets being depreciated, net	<u>26,097,738</u>	<u>(875,996)</u>	<u>-</u>	<u>25,221,742</u>
Business-type activities capital assets, net	<u>\$ 28,032,869</u>	<u>\$ (788,501)</u>	<u>\$ (73,101)</u>	<u>\$ 27,171,267</u>

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

Business-Type Activities:	
Water	\$ 1,128,459
Sewer	204,772
Refuse	2
Transit	159,436
Storm Drain	<u>90,284</u>
Total	<u>\$ 1,582,953</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$130,785 for governmental activities and \$9,324 for business-type activities at June 30, 2017, is expected to be paid in future years from future resources.

At June 30, 2017, the current balance is \$187,924 for governmental activities, and \$43,002 for the business-type activities.

	Balance July 1, 2016	Incurred	Satisfied	Balance June 30, 2017	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 285,466	\$ 193,293	\$ (160,050)	\$ 318,709	\$ 187,924	\$ 130,785
Business-Type Activities:						
Compensated absences	\$ 48,020	\$ 48,037	\$ (43,731)	\$ 52,326	\$ 45,790	\$ 6,536

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2017:

	Balance July 1, 2016 (Restated)	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 200,413	\$ -	\$ (65,273)	\$ 135,140	\$ 66,795	\$ 68,345
2008 Certificates of Participation	16,385,000	-	(16,385,000)	-	-	-
2012 A Water Revenue Refunding Bonds	4,345,000	-	(160,000)	4,185,000	165,000	4,020,000
2016A Water Revenue Refunding Bonds	-	19,790,000	-	19,790,000	295,000	19,495,000
Plus: 2016A Water Revenue Refunding Bonds Premium	-	919,718	(29,668)	890,050	29,668	860,382
Total business-type activities	<u>\$ 20,930,413</u>	<u>\$ 20,709,718</u>	<u>\$ (16,639,941)</u>	<u>\$ 25,000,190</u>	<u>\$ 556,463</u>	<u>\$ 24,443,727</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable

Davis-Grunsky Loan (Water Fund)

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

The following is a schedule of the future estimated minimum payments related to the Davis-Grunsky Loan at June 30, 2017:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 66,795	\$ 2,378	\$ 69,173
2019	<u>68,345</u>	<u>803</u>	<u>69,148</u>
Totals	<u>\$ 135,140</u>	<u>\$ 3,181</u>	<u>\$ 138,321</u>

2008 Certificates of Participation (Water Fund)

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

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

In August 2016, the 2008 Certificates of Participation were refunded by the 2016A Water Refunding Bonds.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable (Continued)

The 2012A Water Revenue Refunding Bonds

The 2012A Water Revenue Refunding Bonds were issued September 26, 2012. These bonds provided for the refunding of the 2003 Certificates of Participations that were issued on July 1, 2003. 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, 2017:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	185,000	122,888	307,888
2023-2027	1,005,000	527,175	1,532,175
2028-2032	1,185,000	349,669	1,534,669
2033-2036	<u>1,120,000</u>	<u>111,963</u>	<u>1,231,963</u>
Totals	<u>\$ 4,185,000</u>	<u>\$ 1,655,747</u>	<u>\$ 5,840,747</u>

The 2016A Water Revenue Refunding Bonds

The 2016A Water Revenue Refunding Bonds were issued August 11, 2016. These bonds provided for the refunding of the 2008 Certificates of Participations that were issued on March 27, 2008. Certificates authorized and issued have interest rates ranging from 2.00% to 4.00% and mature July 1, 2036.

The following is a schedule of the future estimated minimum payments related to the 2016A Water Revenue Refunding Bonds at June 30, 2017:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 295,000	\$ 664,400	\$ 959,400
2019	300,000	658,450	958,450
2020	310,000	650,800	960,800
2021	320,000	639,750	959,750
2022	330,000	626,750	956,750
2023-2027	1,880,000	2,918,950	4,798,950
2028-2032	2,305,000	2,501,850	4,806,850
2033-2037	3,125,000	1,985,050	5,110,050
2038-2042	5,050,000	1,269,000	6,319,000
2043-2047	<u>5,875,000</u>	<u>451,125</u>	<u>6,326,125</u>
Totals	<u>\$ 19,790,000</u>	<u>\$ 12,366,125</u>	<u>\$ 32,156,125</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items to report in this category: \$4,340,639 related to a deferred refunding of long term debt, and \$2,067,217 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 \$532,480 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	<u>\$ 4,680,586</u>	<u>\$ 8,299,570</u>	<u>\$ 239,660</u>	<u>\$ 13,219,816</u>
	<u>\$ 4,680,586</u>	<u>\$ 8,299,570</u>	<u>\$ 239,660</u>	<u>\$ 13,219,816</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, 2017**

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, 2017 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
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	8.880%	6.555%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
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	17.689%	12.082%

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 \$375,090 for the fiscal year ended June 30, 2017.

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 recognized as a part of pension expense for the year ended June 30, 2017 were \$699,724.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$7,128,067.

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, 2016, 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, 2015, rolled forward to June 30, 2016, 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, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.0810%
Proportion - June 30, 2016	0.0824%
Change - Increase (Decrease)	0.0014%

For the year ended June 30, 2017, the City recognized pension expense of \$676,923. At June 30, 2017, 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	\$ 776,784	\$ -
Changes of assumptions	-	238,452
Differences between actual and expected experience	3,306	28,735
Net differences between projected and actual earnings on plan investments	1,198,968	-
Change in employer's proportion	41,951	168,231
Differences between the employer's actual contributions and the employer's proportionate share of contributions	46,208	97,062
Total	<u>\$ 2,067,217</u>	<u>\$ 532,480</u>

\$776,784 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 ending June 30, 2018. 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 Ending June 30</u>	
2018	\$ (58,409)
2019	(23,838)
2020	528,718
2021	311,482
2022	-
Thereafter	-

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% to 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality	Derived using CalPERS' Membership data for all Funds ⁽³⁾

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

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 under the GASB 68 section.

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	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%
\$ 10,996,038	\$ 7,128,067	\$ 3,940,165

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, 2017.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

Total assets	\$ 100,984,219
Total liabilities	<u>83,009,648</u>
Member's equity	<u>\$ 17,974,571</u>
Total revenues	\$ 44,757,809
Total expenses	<u>42,218,070</u>
Excess of expenses (loss) over income	<u>\$ 2,539,739</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, 2017**

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, 2017:

General Fund:	
Current Expenditures:	
General government	\$354,136
Capital Outlay:	
General government	\$232,508
Public safety	\$ 22,626

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

NOTE 14 – RESTATEMENT OF FUND BALANCE/NET POSITION

Prior Period Adjustments

Governmental Activities

Beginning net position of the Business-Type Activities in the Government-Wide Statement of Activities have been restated to record prior period adjustments to correct incorrect recording of bond fees.

Fund Financial Statements

The beginning fund balance of the fund has been restated in the Water Fund to record prior period adjustments to correct incorrect recording of bond fees.

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

	<u>Business-Type Activities</u>	<u>Water Fund</u>
Fund balance/net position, June 30, 2016, as previously reported	\$ 15,338,723	\$ 7,502,990
Prior period adjustment:		
Overstatement of bond discount	<u>(115,433)</u>	<u>(115,433)</u>
Fund balance/net position, July 1, 2016, as restated	<u>\$ 15,223,290</u>	<u>\$ 7,387,557</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – SUCCESSOR AGENCY TRUST FUND

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

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

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

Cash and Investments

A reconciliation of the Successor Agency Trust Fund’s cash and investment balances as of June 30, 2017 is as follows:

Cash and Investments	\$ 198,556
Cash with fiscal agent	<u>3,539</u>
Total cash	<u>\$ 202,095</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
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	(1,520,216)	(83,643)	-	(1,603,859)
Infrastructure	<u>(481,772)</u>	<u>(41,668)</u>	<u>-</u>	<u>(523,440)</u>
Total accumulated depreciation	<u>(2,001,988)</u>	<u>(125,311)</u>	<u>-</u>	<u>(2,127,299)</u>
Total capital assets being depreciated, net	<u>3,016,921</u>	<u>(125,311)</u>	<u>-</u>	<u>2,891,610</u>
Governmental activities capital assets, net	<u>\$ 3,042,322</u>	<u>\$ (125,311)</u>	<u>\$ -</u>	<u>\$ 2,917,011</u>

Long-term Debt

The following is a summary of long-term obligation transactions for the Successor Agency Trust Fund at June 30, 2017:

	Balance July 1, 2016	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Amounts Due Within One Year	Amounts Due in More Than One Year
2004 Tax Allocation Bonds	\$ 2,940,000	\$ -	\$ (2,940,000)	\$ -	\$ -	\$ -
2016 Tax Allocation Refunding Bond	<u>2,518,000</u>	<u>-</u>	<u>-</u>	<u>2,518,000</u>	<u>281,000</u>	<u>2,237,000</u>
Total	<u>\$ 5,458,000</u>	<u>\$ -</u>	<u>\$ (2,940,000)</u>	<u>\$ 2,518,000</u>	<u>\$ 281,000</u>	<u>\$ 2,237,000</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 – 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 were retired in the 2017 fiscal year.

2016 Tax Allocation Refunding Bonds

The 2016 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, 2031.

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

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 328,741</u>	<u>\$ 2,846,741</u>

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, 2017

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 305,750	\$ 305,750	\$ 384,951	\$ 79,201
Other taxes	1,542,539	1,542,539	1,370,818	(171,721)
Licenses and permits	148,000	148,000	129,847	(18,153)
Intergovernmental	2,437,200	2,437,200	2,469,826	32,626
Charges for services	71,800	71,800	96,471	24,671
Fines and penalties	25,000	25,000	47,845	22,845
Use of money and property	174,080	174,080	344,768	170,688
Grant drawdowns	-	-	33,389	33,389
Miscellaneous	37,500	37,500	147,326	109,826
Total revenues	<u>4,741,869</u>	<u>4,741,869</u>	<u>5,025,241</u>	<u>283,372</u>
EXPENDITURES				
Current:				
General government	451,296	451,296	805,432	(354,136)
Public safety	3,994,487	3,994,487	3,885,880	108,607
Public works	224,797	224,797	205,077	19,720
Parks and recreation	407,821	407,821	336,142	71,679
Capital outlay:				
General government	500	500	233,008	(232,508)
Public safety	-	-	22,626	(22,626)
Total expenditures	<u>5,078,901</u>	<u>5,078,901</u>	<u>5,488,165</u>	<u>(409,264)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(337,032)</u>	<u>(337,032)</u>	<u>(462,924)</u>	<u>(125,892)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	93,500	93,500	367,905	274,405
Operating transfers in	145,000	145,000	283,000	138,000
Operating transfers out	(100,000)	(100,000)	(39,000)	61,000
Total other financing sources (uses)	<u>138,500</u>	<u>138,500</u>	<u>611,905</u>	<u>473,405</u>
Net change in fund balances	(198,532)	(198,532)	148,981	347,513
Fund balances - beginning	<u>4,581,253</u>	<u>4,581,253</u>	<u>4,581,253</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,382,721</u>	<u>\$ 4,382,721</u>	<u>\$ 4,730,234</u>	<u>\$ 347,513</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, 2017

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 933	\$ 933
Loan repayments	127,000	127,000	239,972	112,972
Miscellaneous	<u>-</u>	<u>-</u>	<u>11,592</u>	<u>11,592</u>
Total revenues	<u>127,000</u>	<u>127,000</u>	<u>252,497</u>	<u>125,497</u>
EXPENDITURES				
Current:				
Community development	<u>198,619</u>	<u>198,619</u>	<u>76,400</u>	<u>122,219</u>
Total expenditures	<u>198,619</u>	<u>198,619</u>	<u>76,400</u>	<u>122,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71,619)</u>	<u>(71,619)</u>	<u>176,097</u>	<u>247,716</u>
Net change in fund balances	(71,619)	(71,619)	176,097	247,716
Fund balances - beginning	<u>206,794</u>	<u>206,794</u>	<u>206,794</u>	<u>-</u>
Fund balances - ending	<u>\$ 135,175</u>	<u>\$ 135,175</u>	<u>\$ 382,891</u>	<u>\$ 247,716</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, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 2,214	\$ 2,214
Grant drawdowns	-	-	306,326	306,326
Loan repayments	<u>136,500</u>	<u>136,500</u>	<u>192,185</u>	<u>55,685</u>
Total revenues	<u>136,500</u>	<u>136,500</u>	<u>500,725</u>	<u>364,225</u>
EXPENDITURES				
Current:				
Community development	<u>733,358</u>	<u>733,358</u>	<u>322,448</u>	<u>410,910</u>
Total expenditures	<u>733,358</u>	<u>733,358</u>	<u>322,448</u>	<u>410,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(596,858)</u>	<u>(596,858)</u>	<u>178,277</u>	<u>775,135</u>
Net change in fund balances	(596,858)	(596,858)	178,277	775,135
Fund balances - beginning	<u>340,089</u>	<u>340,089</u>	<u>340,089</u>	<u>-</u>
Fund balances - ending	<u>\$ (256,769)</u>	<u>\$ (256,769)</u>	<u>\$ 518,366</u>	<u>\$ 775,135</u>

CITY OF CORCORAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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
PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.08900%	0.08100%	0.08240%
Proportionate share of the net pension liability	\$ 5,588,247	\$ 5,560,451	\$ 7,128,067
Covered payroll	\$ 3,670,305	\$ 3,415,899	\$ 3,372,419
Proportionate share of the net pension liability as percentage of covered payroll	152.26%	162.78%	211.36%
Plan fiduciary net position as a percentage of the total pension liability	77.90%	79.05%	75.11%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - None

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

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 687,235	\$ 670,378	\$ 699,724	\$ 776,784
Contributions in relation to the actuarially determined contributions	<u>687,235</u>	<u>670,378</u>	<u>699,724</u>	<u>776,784</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 3,670,305	 \$ 3,415,899	 \$ 3,372,419	 \$ 3,515,008
 Contributions as a percentage of covered payroll	 18.72%	 19.63%	 20.75%	 22.10%

*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 Fund** 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, 2017**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments:	\$ 2,502,142	\$ 5,154	\$ 2,507,296
Receivables	<u>245,526</u>	<u>48</u>	<u>245,574</u>
Total assets	<u>\$ 2,747,668</u>	<u>\$ 5,202</u>	<u>\$ 2,752,870</u>
LIABILITIES			
Accounts payable	\$ 25,811	\$ -	\$ 25,811
Deposits	<u>700</u>	<u>-</u>	<u>700</u>
Total liabilities	<u>26,511</u>	<u>-</u>	<u>26,511</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	<u>239,660</u>	<u>-</u>	<u>239,660</u>
Total deferred inflows of resources	<u>239,660</u>	<u>-</u>	<u>239,660</u>
FUND BALANCES			
Restricted for:			
Debt service	-	5,202	5,202
Community development	36,265	-	36,265
Public safety	158,420	-	158,420
Public works	155,194	-	155,194
Transportation and street	2,013,957	-	2,013,957
Parks and recreation	<u>117,661</u>	<u>-</u>	<u>117,661</u>
Total fund balances	<u>2,481,497</u>	<u>5,202</u>	<u>2,486,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,747,668</u>	<u>\$ 5,202</u>	<u>\$ 2,752,870</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Nonmajor Special Revenue Funds	Corcoran Joint Powers Finance Authority Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 33,895	\$ -	\$ 33,895
Use of money and property	16,268	155	16,423
Charges for services	4,615	-	4,615
Intergovernmental revenues	581,404	-	581,404
Grant drawdowns	147,790	-	147,790
Repayment of loans	16,666	-	16,666
Miscellaneous	<u>41,921</u>	<u>-</u>	<u>41,921</u>
Total revenues	<u>842,559</u>	<u>155</u>	<u>842,714</u>
EXPENDITURES			
Current services:			
General government	1,799	-	1,799
Community development	39,743	-	39,743
Public works	537,937	-	537,937
Public safety	22,804	-	22,804
Capital outlay:			
Public safety	<u>161,156</u>	<u>-</u>	<u>161,156</u>
Total expenditures	<u>763,439</u>	<u>-</u>	<u>763,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>79,120</u>	<u>155</u>	<u>79,275</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	43,744		43,744
Operating transfers out	<u>(185,000)</u>	<u>-</u>	<u>(185,000)</u>
Total other financing sources (uses)	<u>(141,256)</u>	<u>-</u>	<u>(141,256)</u>
Net change in fund balances	(62,136)	155	(61,981)
Fund balances - beginning	<u>2,543,633</u>	<u>5,047</u>	<u>2,548,680</u>
Fund balances - ending	<u>\$ 2,481,497</u>	<u>\$ 5,202</u>	<u>\$ 2,486,699</u>

See Note to Schedule of Expenditures of Federal Awards.

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	Housing Authority	Public Safety	Parks Capital	Transportation and Streets	Assessment Districts	Totals
ASSETS						
Cash and investments:	\$ 36,985	\$ 158,110	\$ 117,401	\$ 2,033,770	\$ 155,876	\$ 2,502,142
Receivables	<u>239,953</u>	<u>310</u>	<u>260</u>	<u>4,173</u>	<u>830</u>	<u>245,526</u>
Total assets	<u>\$ 276,938</u>	<u>\$ 158,420</u>	<u>\$ 117,661</u>	<u>\$ 2,037,943</u>	<u>\$ 156,706</u>	<u>\$ 2,747,668</u>
LIABILITIES						
Accounts payable	\$ 313	\$ -	\$ -	\$ 23,986	\$ 1,512	\$ 25,811
Deposits	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700</u>
Total liabilities	<u>1,013</u>	<u>-</u>	<u>-</u>	<u>23,986</u>	<u>1,512</u>	<u>26,511</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>239,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,660</u>
Total deferred inflows of resources	<u>239,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,660</u>
FUND BALANCES						
Restricted for:						
Community development	36,265	-	-	-	-	36,265
Public safety	-	158,420	-	-	-	158,420
Public works	-	-	-	-	155,194	155,194
Transportation and street	-	-	-	2,013,957	-	2,013,957
Parks and recreation	<u>-</u>	<u>-</u>	<u>117,661</u>	<u>-</u>	<u>-</u>	<u>117,661</u>
Total fund balances	<u>36,265</u>	<u>158,420</u>	<u>117,661</u>	<u>2,013,957</u>	<u>155,194</u>	<u>2,481,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 276,938</u>	<u>\$ 158,420</u>	<u>\$ 117,661</u>	<u>\$ 2,037,943</u>	<u>\$ 156,706</u>	<u>\$ 2,747,668</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Housing Authority	Public Safety	Parks Capital	Transportation and Streets	Assessment Districts	Totals
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 33,895	\$ 33,895
Intergovernmental revenues	-	-	-	581,404	-	581,404
Charges for services	-	-	4,615	-	-	4,615
Use of money and property	315	1,565	806	12,596	986	16,268
Grant drawdowns	-	147,790	-	-	-	147,790
Repayment of loans	16,666	-	-	-	-	16,666
Miscellaneous	1,771	40,000	150	-	-	41,921
Total revenues	<u>18,752</u>	<u>189,355</u>	<u>5,571</u>	<u>594,000</u>	<u>34,881</u>	<u>842,559</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	1,799	1,799
Community development	39,743	-	-	-	-	39,743
Public safety	-	22,804	-	-	-	22,804
Public works	-	-	-	521,596	16,341	537,937
Capital outlay:						
Public safety	-	161,156	-	-	-	161,156
Total expenditures	<u>39,743</u>	<u>183,960</u>	<u>-</u>	<u>521,596</u>	<u>18,140</u>	<u>763,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,991)</u>	<u>5,395</u>	<u>5,571</u>	<u>72,404</u>	<u>16,741</u>	<u>79,120</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	43,744	-	-	-	43,744
Operating transfers out	-	(35,000)	-	(150,000)	-	(185,000)
Total other financing sources (uses)	<u>-</u>	<u>8,744</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>(141,256)</u>
Net change in fund balances	(20,991)	14,139	5,571	(77,596)	16,741	(62,136)
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 36,265</u>	<u>\$ 158,420</u>	<u>\$ 117,661</u>	<u>\$ 2,013,957</u>	<u>\$ 155,194</u>	<u>\$ 2,481,497</u>

CITY OF CORCORAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>ASSETS SEIZURES (UNPROCESSED)</u>				
ASSETS				
Cash	\$ 750	\$ -	\$ -	\$ 750
Total assets	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>
LIABILITIES				
Due to other agencies	\$ 750	\$ -	\$ -	\$ 750
Total liabilities	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>
<u>KINGS COUNTY CDBG</u>				
ASSETS				
Cash	\$ 22,781	\$ 43,600	\$ (43,286)	\$ 23,095
Receivables:				
Notes	910,374	38,161	(68,670)	879,865
Total assets	<u>\$ 933,155</u>	<u>\$ 81,761</u>	<u>\$ (111,956)</u>	<u>\$ 902,960</u>
LIABILITIES				
Due to other agencies	\$ 933,155	\$ 81,761	\$ (111,956)	\$ 902,960
Total liabilities	<u>\$ 933,155</u>	<u>\$ 81,761</u>	<u>\$ (111,956)</u>	<u>\$ 902,960</u>
<u>CAFETERIA PLAN FUND</u>				
ASSETS				
Cash	\$ 5,358	\$ 20,253	\$ (19,316)	\$ 6,295
Receivables:				
Notes	3,371	14,120	(9,850)	7,641
Total assets	<u>\$ 8,729</u>	<u>\$ 34,373</u>	<u>\$ (29,166)</u>	<u>\$ 13,936</u>
LIABILITIES				
Due to other agencies	\$ 8,729	\$ 34,373	\$ (29,166)	\$ 13,936
Total liabilities	<u>\$ 8,729</u>	<u>\$ 34,373</u>	<u>\$ (29,166)</u>	<u>\$ 13,936</u>
<u>POLICE ACTIVITIES LEAGUE</u>				
ASSETS				
Cash	\$ 3,184	\$ 23,599	\$ (15,334)	\$ 11,449
Total assets	<u>\$ 3,184</u>	<u>\$ 23,599</u>	<u>\$ (15,334)</u>	<u>\$ 11,449</u>
LIABILITIES				
Due to other agencies	\$ 3,184	\$ 23,599	\$ (15,334)	\$ 11,449
Total liabilities	<u>\$ 3,184</u>	<u>\$ 23,599</u>	<u>\$ (15,334)</u>	<u>\$ 11,449</u>
<u>TOTAL</u>				
ASSETS				
Cash	\$ 32,073	\$ 87,452	\$ (77,936)	\$ 41,589
Receivables:				
Notes	913,745	52,281	(78,520)	887,506
Total assets	<u>\$ 945,818</u>	<u>\$ 139,733</u>	<u>\$ (156,456)</u>	<u>\$ 929,095</u>
LIABILITIES				
Due to other agencies	\$ 945,818	\$ 139,733	\$ (156,456)	\$ 929,095
Total liabilities	<u>\$ 945,818</u>	<u>\$ 139,733</u>	<u>\$ (156,456)</u>	<u>\$ 929,095</u>

See Note to Schedule of Expenditures of Federal Awards.

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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, 2017, 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 27, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions as items 2017-001, 2017-002 and 2017-003 that we considered to be significant deficiencies.

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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 Responses to Findings

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

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 27, 2018

FINDINGS AND QUESTIONED COSTS

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**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

_____ Yes X 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

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001 - Capital Assets (Significant Deficiency)

Condition:

The City's capital assets balances for business-type activities were not accurately stated.

Criteria:

Generally accepted accounting principles require that the amount reported as capital assets be properly valued and accurately presented in the City's financial statements.

Cause:

Lack of internal controls over classification of capital purchases to be recorded in the trial balance, such as a reconciliation between fixed assets schedule and the trial balance.

Effect:

Capital asset balances per the City's trial balance included an overstatement of expenses in the Water fund of approximately \$98,000.

Recommendation:

We recommend that the City establish a process to ensure all items listed on the depreciation schedule are included on the trial balance. This should include a reconciliation of opening balances to the prior year audited financial statements and ending balances to the unadjusted trial balance.

Finding 2017-002 - Payroll Liabilities (Significant Deficiency)

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, 2017**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2017-003 - Overhead Cost Allocations/Transfers In/Out (Significant Deficiency)

Condition:

Certain overhead cost allocation and transfers were not recorded in the correct account according to the nature of the transactions.

Criteria:

A strong system of internal controls and management review requires that all transactions be reviewed to ensure they are being classified in the correct accounts.

Cause:

The City does not have adequate internal controls to ensure that it correctly records its overhead cost allocations and transfers in separate accounts within each applicable fund. Since these are different types of transactions, they should not be aggregated into the same account.

Effect:

Transfers in and out were materially overstated and overhead allocations were materially understated since the overhead costs allocations were recorded in the City's transfer accounts.

Recommendation:

We recommend that the City establish a review process to ensure that charges to overhead cost allocations and transfers are recorded in separate accounts so they can be properly presented in the financial statements.

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

Status:

Partially implemented

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.

Status:

Partially implemented

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

Status:

Implemented

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.

Status:

Implemented

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City of

CORCORAN

A MUNICIPAL CORPORATION

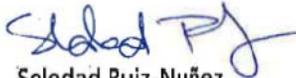
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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

6/30/2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1	Establish a process to add items to the depreciation schedule.	April 2018	Soledad Ruiz-Nunez
2	Controls have already been implemented in the financial software to ensure that payroll liabilities are recorded in the correct manner.	May 2017	Soledad Ruiz-Nunez
3	Finance staff will review the overhead allocation and transfer in/out based on their nature and enter it accordingly.	April 2018	Soledad Ruiz-Nunez



Soledad Ruiz-Nunez
Finance Director

CITY OFFICES:

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