

**CITY OF PARLIER
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014**

**CITY OF PARLIER
CALIFORNIA
JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	13
Combining Statement of Cash Flows – Proprietary Funds.....	14
Statement of Fiduciary Net Position – Private Purpose Trust Fund – Successor Agency.....	15
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund – Agency.....	16
Notes to the Basic Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	38
Budgetary Comparison Schedule – Housing Grant Fund.....	39
Budgetary Comparison Schedule – Community Development Fund.....	40
Budgetary Comparison Schedule – Day Care Fund	41
Notes to the Required Supplementary Information	42
Schedule of Funding Progress	43

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	47
Day Care Center Statement of Activities	48
Day Care Center Schedule of Expenditures by State Categories.....	49
Day Care Center Schedule of Reconciliation of California Department of Education and Generally Accepted Accounting Principles Expense Reporting.....	50
Day Care Center Schedule of Equipment Expenditures	51
Day Care Center Combining Schedule of Renovation and Repair Expenditures	52
Day Care Center Schedule of Reimbursable Administrative Costs	53
Audited Attendance and Fiscal Report for California State Preschool Programs	54
Audited Fiscal Report for Child Development CRPM Support Contracts.....	56
Audited Reserve Account Activity Report.....	57
 OVERALL COMPLIANCE, INTERNAL CONTROLS AND FEDERAL AWARDS SECTION	
Schedule of Expenditures of Federal and State Awards	60
Notes to Schedule of Expenditures of Federal and State Awards.....	62
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 <i>Government Auditing Standards</i>	63
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	65
Schedule of Findings and Questioned Costs.....	67
Summary Schedule of Prior Audit Findings	72

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress on pages 38-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and Day Care Center schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the Day Care Center schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the Day Care Center schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 12, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,340,883	\$ 929,609	\$ 4,270,492
Accounts receivable	53,967	445,123	499,090
Due from other governments	1,395,844	99,892	1,495,736
Internal balances	(1,423,711)	1,423,711	-
Interest receivable	500	-	500
Deposits	1,374,000	-	1,374,000
Notes receivable	8,733,612	-	8,733,612
Related party receivables, net	150,563	-	150,563
Capital assets:			
Non-depreciable	1,921,872	2,493,098	4,414,970
Depreciable (net)	<u>3,426,072</u>	<u>4,935,202</u>	<u>8,361,274</u>
 Total assets	 <u>18,973,602</u>	 <u>10,326,635</u>	 <u>29,300,237</u>
LIABILITIES			
Accounts payable and accrued expenses	357,897	311,784	669,681
Accrued interest	-	31,989	31,989
Deposits	9,000	77,154	86,154
Unearned revenue	1,500,000	-	1,500,000
Noncurrent liabilities:			
Due within one year:			
Bonds payable	-	69,000	69,000
Note payable	-	26,947	26,947
Compensated absences	54,376	25,295	79,671
Due in more than one year:			
Bonds payable	-	1,719,000	1,719,000
Note payable	-	147,904	147,904
Compensated absences	<u>126,877</u>	<u>59,023</u>	<u>185,900</u>
 Total liabilities	 <u>2,048,150</u>	 <u>2,468,096</u>	 <u>4,516,246</u>
NET POSITION			
Net investment in capital assets	5,347,944	5,465,449	10,813,393
Restricted for debt service	-	161,000	161,000
Restricted for public works	3,388,514	-	3,388,514
Unrestricted	<u>8,188,994</u>	<u>2,232,090</u>	<u>10,421,084</u>
 Total net position	 <u>\$ 16,925,451</u>	 <u>\$ 7,858,539</u>	 <u>\$ 24,783,990</u>

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

**CITY OF PARLIER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expense	Program Revenue			Net Revenue (Expense) and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 246,287	\$ -	\$ -	\$ -	\$ (246,287)	\$ -	\$ (246,287)
Public safety	2,318,613	239,902	479,799	26,030	(1,572,882)	-	(1,572,882)
Public works	1,087,495	-	1,390,961	206,802	510,268	-	510,268
Community development	1,473,557	201,143	1,553,078	-	280,664	-	280,664
Parks and recreation	193,074	39,946	-	-	(153,128)	-	(153,128)
Day care	786,281	22,579	645,223	-	(118,479)	-	(118,479)
Total governmental activities	6,105,307	503,570	4,069,060	232,832	(1,299,845)	-	(1,299,845)
Business-type activities:							
Water	1,445,458	2,260,438	-	-	-	814,980	814,980
Sewer	1,150,919	1,332,091	-	-	-	181,172	181,172
Disposal	1,228,391	1,140,031	-	-	-	(88,360)	(88,360)
Total business-type activities	3,824,768	4,732,560	-	-	-	907,792	907,792
Total primary government	\$ 9,930,075	\$ 5,236,130	\$ 4,069,060	\$ 232,832	(1,299,845)	907,792	(392,053)
General revenues:							
Property taxes					358,433	-	358,433
Motor vehicle taxes					990,999	-	990,999
Sales taxes					480,155	-	480,155
Franchise taxes					172,113	-	172,113
Licenses and permits					271,657	-	271,657
Interest and rent					52,683	-	52,683
Sale of asset					500	-	500
Other					99,671	37,684	137,355
Transfers					(8,000)	8,000	-
Total general revenues and transfers					2,418,211	45,684	2,463,895
Changes in net position					1,118,366	953,476	2,071,842
Net position - beginning					8,071,362	6,905,063	14,976,425
Prior period adjustments					7,735,723	-	7,735,723
Net position - beginning (restated)					15,807,085	6,905,063	22,712,148
Net position - ending					\$ 16,925,451	\$ 7,858,539	\$ 24,783,990

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

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FUND FINANCIAL STATEMENTS

**CITY OF PARLIER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Housing Grants	Community Development	Low-Moderate Housing Asset	Day Care	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,340,883	\$ 3,340,883
Accounts receivable	5,502	-	-	-	48,465	-	53,967
Due from other governments	266,319	241,292	607,720	-	100,284	180,229	1,395,844
Interest receivable	-	-	-	-	-	500	500
Deposits	-	1,374,000	-	-	-	-	1,374,000
Notes receivable, net	998,182	6,363,716	61,714	1,310,000	-	-	8,733,612
Related party receivables	150,563	-	-	-	-	-	150,563
Total assets	<u>\$ 1,420,566</u>	<u>\$ 7,979,008</u>	<u>\$ 669,434</u>	<u>\$ 1,310,000</u>	<u>\$ 148,749</u>	<u>\$ 3,521,612</u>	<u>\$ 15,049,369</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 163,402	\$ 27,125	\$ 9,689	\$ -	\$ 24,583	\$ 133,098	\$ 357,897
Deposits	9,000	-	-	-	-	-	9,000
Unearned revenue	-	1,500,000	-	-	-	-	1,500,000
Due to other funds	512,160	178,693	595,042	-	137,816	-	1,423,711
Total liabilities	<u>684,562</u>	<u>1,705,818</u>	<u>604,731</u>	<u>-</u>	<u>162,399</u>	<u>133,098</u>	<u>3,290,608</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	98,238	-	555,344	-	85,284	-	738,866
Deferred loans	-	6,363,716	-	1,310,000	-	-	7,673,716
Total deferred inflows of resources	<u>98,238</u>	<u>6,363,716</u>	<u>555,344</u>	<u>1,310,000</u>	<u>85,284</u>	<u>-</u>	<u>8,412,582</u>
FUND BALANCES							
Nonspendable:							
Notes receivable	998,182	-	-	-	-	-	998,182
Restricted:							
Public Works	-	-	-	-	-	3,388,514	3,388,514
Unassigned	(360,416)	(90,526)	(490,641)	-	(98,934)	-	(1,040,517)
Total fund balances	<u>637,766</u>	<u>(90,526)</u>	<u>(490,641)</u>	<u>-</u>	<u>(98,934)</u>	<u>3,388,514</u>	<u>3,346,178</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,420,566</u>	<u>\$ 7,979,008</u>	<u>\$ 669,434</u>	<u>\$ 1,310,000</u>	<u>\$ 148,749</u>	<u>\$ 3,521,612</u>	<u>\$ 15,049,369</u>

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

**CITY OF PARLIER
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2014**

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

Total fund balances - governmental funds	\$ 3,346,178
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,347,944
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,412,582
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(181,253)</u>
Net position of governmental activities	<u>\$ 16,925,452</u>

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

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

	General	Housing Grants	Community Development	Low-Moderate Housing Asset	Day Care	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 1,956,243	\$ -	\$ -	\$ -	\$ -	\$ 45,457	\$ 2,001,700
Intergovernmental	667,114	749,290	568,098	-	665,157	1,324,135	3,973,793
Charges for services	276,453	43,253	-	-	22,190	-	341,896
Licenses, permits and impact fees	244,765	-	-	-	-	26,892	271,657
Fines and forfeitures	28,594	-	-	-	-	-	28,594
Interest and rent	49,951	6	-	-	-	2,726	52,683
Other	67,266	3,811	-	-	-	-	71,077
Total revenues	<u>3,290,386</u>	<u>796,360</u>	<u>568,098</u>	<u>-</u>	<u>687,347</u>	<u>1,399,210</u>	<u>6,741,400</u>
EXPENDITURES							
Current:							
General government	226,287	-	-	-	-	-	226,287
Public safety	2,268,917	-	-	-	-	-	2,268,917
Public works	242,866	-	225,228	-	-	546,101	1,014,195
Community development	370,027	549,866	553,439	-	-	-	1,473,332
Parks and recreation	134,087	-	-	-	-	-	134,087
Day care	-	-	-	-	781,031	-	781,031
Capital outlay	46,191	-	238,165	-	5,250	403,949	693,555
Total expenditures	<u>3,288,375</u>	<u>549,866</u>	<u>1,016,832</u>	<u>-</u>	<u>786,281</u>	<u>950,050</u>	<u>6,591,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,011</u>	<u>246,494</u>	<u>(448,734)</u>	<u>-</u>	<u>(98,934)</u>	<u>449,160</u>	<u>149,996</u>
OTHER FINANCING SOURCES (USES)							
Sale of equipment	500	-	-	-	-	-	500
Transfers in	911,305	-	122,793	-	-	-	1,034,098
Transfers out	(486,811)	(200,000)	(287,370)	-	-	(67,917)	(1,042,098)
Total other financing sources (uses)	<u>424,994</u>	<u>(200,000)</u>	<u>(164,577)</u>	<u>-</u>	<u>-</u>	<u>(67,917)</u>	<u>(7,500)</u>
Change in fund balances	<u>427,005</u>	<u>46,494</u>	<u>(613,311)</u>	<u>-</u>	<u>(98,934)</u>	<u>381,243</u>	<u>142,496</u>
Fund balances - beginning	210,761	(137,020)	312,380	-	-	3,007,271	3,393,392
Prior period adjustments	-	-	(189,710)	-	-	-	(189,710)
Fund balance - beginning (restated)	<u>210,761</u>	<u>(137,020)</u>	<u>122,670</u>	<u>-</u>	<u>-</u>	<u>3,007,271</u>	<u>3,203,682</u>
Fund balances - ending	<u>\$ 637,766</u>	<u>\$ (90,526)</u>	<u>\$ (490,641)</u>	<u>\$ -</u>	<u>\$ (98,934)</u>	<u>\$ 3,388,514</u>	<u>\$ 3,346,178</u>

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

**CITY OF PARLIER
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds	\$	142,496
Compensated absences costs in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		6,920
Governmental funds report capital outlays as expenditures. However, in the statement of activities and changes in net position the cost of those assets is capitalized as an asset and depreciated over the period of service.		631,534
Depreciation expenses on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds.		(149,733)
Some amounts included in the statement of activities do not provide (or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund (net change):		
Unavailable revenue		549,156
Deferred loans		<u>(62,007)</u>
Change in net position of governmental activities	\$	<u>1,118,366</u>

**CITY OF PARLIER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities			Total Business-Type Funds
	Water	Sewer	Disposal	
ASSETS				
Current assets:				
Cash and investments	\$ 561,430	\$ 345,739	\$ 22,440	\$ 929,609
Accounts receivable, net	235,429	117,929	91,765	445,123
Due from other governments	99,892	-	-	99,892
Due from other funds	<u>1,423,711</u>	<u>-</u>	<u>-</u>	<u>1,423,711</u>
Total current assets	<u>2,320,462</u>	<u>463,668</u>	<u>114,205</u>	<u>2,898,335</u>
Noncurrent assets:				
Property, plant and equipment (net of allowance for depreciation)	<u>2,047,826</u>	<u>5,380,474</u>	<u>-</u>	<u>7,428,300</u>
Total noncurrent assets	<u>2,047,826</u>	<u>5,380,474</u>	<u>-</u>	<u>7,428,300</u>
Total assets	<u>4,368,288</u>	<u>5,844,142</u>	<u>114,205</u>	<u>10,326,635</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	93,713	66,673	151,398	311,784
Accrued interest	1,351	30,638	-	31,989
Deposits	77,154	-	-	77,154
Bonds Payable	-	69,000	-	69,000
Notes payable	26,947	-	-	26,947
Compensated absences	<u>12,167</u>	<u>12,167</u>	<u>961</u>	<u>25,295</u>
Total current liabilities	<u>211,332</u>	<u>178,478</u>	<u>152,359</u>	<u>542,169</u>
Noncurrent liabilities:				
Bonds payable	-	1,719,000	-	1,719,000
Notes payable	147,904	-	-	147,904
Compensated absences	<u>28,390</u>	<u>28,390</u>	<u>2,243</u>	<u>59,023</u>
Total noncurrent liabilities	<u>176,294</u>	<u>1,747,390</u>	<u>2,243</u>	<u>1,925,927</u>
Total liabilities	<u>387,626</u>	<u>1,925,868</u>	<u>154,602</u>	<u>2,468,096</u>
NET POSITION				
Net investment in capital assets	1,872,975	3,592,474	-	5,465,449
Restricted for debt service	-	161,000	-	161,000
Unrestricted (deficit)	<u>2,107,687</u>	<u>164,800</u>	<u>(40,397)</u>	<u>2,232,090</u>
Total net position	<u>\$ 3,980,662</u>	<u>\$ 3,918,274</u>	<u>\$ (40,397)</u>	<u>\$ 7,858,539</u>

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

CITY OF PARLIER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Operating revenues:				
Charges for services	\$ 2,147,923	\$ 1,263,110	\$ 1,140,031	\$ 4,551,064
Connection fees	44,428	11,082	-	55,510
Other revenue	36,440	1,244	-	37,684
Total operating revenues	<u>2,228,791</u>	<u>1,275,436</u>	<u>1,140,031</u>	<u>4,644,258</u>
Operating expenses:				
Contractual services and utilities	625,555	413,164	1,094,209	2,132,928
Personnel	475,256	389,063	82,171	946,490
Supplies and materials	155,099	53,181	27,011	235,291
Bad debt expense	45,816	25,000	25,000	95,816
Depreciation	127,660	180,673	-	308,333
Total operating expenses	<u>1,429,386</u>	<u>1,061,081</u>	<u>1,228,391</u>	<u>3,718,858</u>
Operating income (loss)	<u>799,405</u>	<u>214,355</u>	<u>(88,360)</u>	<u>925,400</u>
Nonoperating revenues (expenses):				
Development impact fees	68,087	57,899	-	125,986
Interest expense	(16,072)	(89,838)	-	(105,910)
Total nonoperating revenues (expenses)	<u>52,015</u>	<u>(31,939)</u>	<u>-</u>	<u>20,076</u>
Income (loss) before transfers	<u>851,420</u>	<u>182,416</u>	<u>(88,360)</u>	<u>945,476</u>
Other financing sources (uses):				
Transfers in	-	8,000	150,000	158,000
Transfers out	(150,000)	-	-	(150,000)
Total other financing sources (uses)	<u>(150,000)</u>	<u>8,000</u>	<u>150,000</u>	<u>8,000</u>
Change in net position	701,420	190,416	61,640	953,476
Net position - beginning	<u>3,279,242</u>	<u>3,727,858</u>	<u>(102,037)</u>	<u>6,905,063</u>
Net position - ending	<u>\$ 3,980,662</u>	<u>\$ 3,918,274</u>	<u>\$ (40,397)</u>	<u>\$ 7,858,539</u>

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

**CITY OF PARLIER
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,078,121	\$ 1,252,004	\$ 1,145,715	\$ 4,475,840
Cash payments to suppliers of goods or services	(732,365)	(446,409)	(1,230,467)	(2,409,241)
Cash payments to employees for services	(493,055)	(406,862)	(81,913)	(981,830)
Other operating cash receipts	36,440	1,244	-	37,684
Net cash provided (used) by operating activities	<u>889,141</u>	<u>399,977</u>	<u>(166,666)</u>	<u>1,122,453</u>
Cash flows from noncapital financing activities:				
Cash receipts from developers	68,087	57,899	-	125,986
Loans from/(to) other funds	(41,148)	-	-	(41,148)
Transfers from other funds	-	8,000	150,000	158,000
Transfer to other funds	(150,000)	-	-	(150,000)
Net cash provided (used) by noncapital financing activities	<u>(123,061)</u>	<u>65,899</u>	<u>150,000</u>	<u>92,838</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds	(225,892)	(67,000)	-	(292,892)
Principal paid on notes	(26,136)	-	-	(26,136)
Interest paid on long-term debt	(16,799)	(91,075)	-	(107,874)
Acquisition of capital assets	(98,858)	(59,854)	-	(158,712)
Net cash provided (used) by capital and related financing activities	<u>(367,685)</u>	<u>(217,929)</u>	<u>-</u>	<u>(585,614)</u>
Cash flows from investing activities:				
Interest received	341	-	15	356
Net cash provided (used) by investing activities	<u>341</u>	<u>-</u>	<u>15</u>	<u>356</u>
Net increase (decrease) in cash	398,736	247,947	(16,650)	630,033
Cash, beginning of year	162,694	97,792	39,090	299,576
Cash, end of year	<u>\$ 561,430</u>	<u>\$ 345,739</u>	<u>\$ 22,440</u>	<u>\$ 929,609</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Operating income (loss)	\$ 799,405	\$ 214,355	\$ (88,360)	\$ 925,400
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	127,660	180,673	-	308,333
(Increase) decrease in:				
Accounts receivable	(49,983)	2,812	30,684	(16,487)
Increase (decrease) in:				
Accounts payable	48,289	19,936	(109,247)	(41,022)
Deposits and other liabilities	(5,148)	-	-	(5,148)
Deferred revenue	(13,283)	-	-	(13,283)
Compensated absences	(17,799)	(17,799)	258	(35,340)
Net cash provided (used) by operating activities	<u>\$ 889,141</u>	<u>\$ 399,977</u>	<u>\$ (166,666)</u>	<u>\$ 1,122,453</u>

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

**CITY OF PARLIER
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY
JUNE 30, 2014**

ASSETS

Cash and investments	\$ 988,152
Cash and investments with fiscal agent	1,175,040
Notes receivable	125,524
Land held for resale	<u>2,058,001</u>

Total assets \$ 4,346,717

LIABILITIES

Accounts payable	\$ 28,685
Interest payable	255,507
Long-term debt due within one year	85,000
Long-term debt due in more than one year	<u>11,885,000</u>

Total liabilities 12,254,192

NET POSITION

Held in trust for other governments \$ (7,907,475)

CITY OF PARLIER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS	
Property taxes	\$ 1,163,551
Investment earnings and other	<u>38,415</u>
Total additions	<u>1,201,966</u>
DEDUCTIONS	
Administrative expenses	55,466
Programs expenses	194,533
Interest and fiduciary expenses of former redevelopment agency	<u>614,150</u>
Total deductions	<u>864,149</u>
Change in net position	337,817
Net position - beginning	<u>(8,245,292)</u>
Net position - ending	<u>\$ (7,907,475)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parlier, California (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 governmental accounting and financial reporting principles. The most significant of the government's accounting principles are described below.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 year-end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant policies of the City.

Reporting Entity

The City was incorporated as a general law city in 1921. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water, sewer and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning; and general administrative services.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information for all of the nonfiduciary activities of the primary government and its component units. For the most part, 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or 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 as general revenues.

Net position is restricted when constraints placed on the assets are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

Governmental Fund Financial Statements

The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. 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 funds are separately 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 of net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Housing Grant Fund – This fund is used to account for grant revenues and expenditures related to housing assistance loans for low income individuals.

Community Development Fund – The Community Development Fund accounts for monies received from various sources which are to be used for the design and construction of various projects.

Low-Moderate Housing Asset Fund – This fund is used to account for loans provided to city residents with very low, low, or moderate income under the former Redevelopment Agency of the City.

Day Care Fund – This fund is used to account for grant revenue, parent fees, and expenditures to operate the City's day care center.

The City reports the following additional fund types:

Private-Purpose Trust Fund – The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipts occur 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 compensated absences and claims and judgments are recorded only when payment is due. General capital asset 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 and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

Assets, Liabilities and Net Position

Cash and Investments – Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds, and cash management pools for reporting purposes in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund.

Investments in the pool include only those investments authorized by the California Government Code such, as United States Treasury Securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Accounts Receivable – Billed by unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The proprietary funds include a year-end accrual for services through June 30, 2014, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Property Taxes – Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year-end. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual.

The City is permitted by Article XIIA of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivables/payables represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances to/from Other Funds – This classification represents noncurrent portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and, therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets – Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds, and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	40 years
Utility plant	40 years
Furniture and equipment	7 years
Automobiles and trucks	5 years

Compensated Absences – It is the City’s policy to permit all employees to accumulate earned but unused vacation, sick pay and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday, sick leave and any compensation time on the Governmental Funds are not expected to be paid with expendable available financial resources and are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds is recorded as an expense and liability as the benefits accrue.

Long-Term Obligations – In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Statement of Net Position – Proprietary Funds. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements debt principal payments of Governmental Funds are recognized as expenditures when paid. 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Noncurrent Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

Pension Plan – All full-time City employees are members of the State of California Public Employees’ Retirement System (PERS). The City’s policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System’s actuary. See Note 8 for further discussion.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Government-Wide Financial Statements

The government-wide and enterprise fund financial statements utilize a net position presentation. Net position is capitalized as net investment in capital assets, restricted and unrestricted.

- *Net investment in capital assets* – 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 the net position balance.
- *Restricted net position* – represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation.
- *Unrestricted net position* – represents net position of the City, not restricted for any project or other purpose.

Fund Financial Statements

In the fund financial statements, governmental fund balance is made up of the following components:

- *Nonspendable fund balance* typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- *Restricted fund balance* includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislation.
- *Committed fund balance* includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- *Assigned fund balance* includes amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted resources first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balances first, then assigned fund balances, and finally unassigned fund balances.

Use of Estimates

The preparation of 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 of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements

a. New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014. As of July 1, 2013, the City adopted this standard; however, its adoption had no effect on the financial statements for the year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014. As of July 1, 2013, the City adopted this standard; however, its adoption had no effect on the financial statements for the year ended June 30, 2014.

b. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 68

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

Governmental Accounting Standards Board Statement No. 69

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

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

NOTE 2 – CASH AND INVESTMENTS

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 4,270,492
Fiduciary Funds:	
Cash and investments	988,152
Cash and investments with fiscal agent	<u>1,175,040</u>
Total cash and investments	<u>\$ 6,433,684</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 760
Deposits with financial institutions	4,415,525
Local Agency Investment Fund	904,524
Held by fiscal agent:	
Money Market Mutual Funds	<u>1,175,040</u>
Total cash and investments	<u>\$ 6,495,849</u>

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

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

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 trustee that are governed by the provisions of debt agreements of the City, rather the general provisions of the California Government Code or the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	1 year	None	5%
U.S. Treasury Obligations	1 year	None	None
U.S. Agency Securities	1 year	None	None
Banker’s Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	1 year	30%	None
Medium-Term Notes	1 year	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	1 year	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is 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 risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None
Certificates of Deposit	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to 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 sensitivity of its fair value to changes in market interest rates. As of June 30, 2014, the City had the following investments:

Investment Type	Maturity Date
Local Agency Investment Fund (LAIF) Held by Trustee:	N/A
Money Market Mutual Funds	N/A
Total	N/A

Disclosures Relating to 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 by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund (LAIF) Held by Trustee:	N/A	N/A
Money Market Mutual Funds	N/A	N/A
Total	N/A	N/A

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside 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 state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental 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. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – RECEIVABLES

Accounts receivable, net of allowance for uncollectibles, as of June 30, 2014 consist of the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Disposal Fund</u>
Accounts receivable	\$ 332,923	\$ 181,624	\$ 156,007
Allowance for uncollectibles	<u>(97,494)</u>	<u>(63,695)</u>	<u>(64,242)</u>
Accounts receivable, net	<u>\$ 235,429</u>	<u>\$ 117,929</u>	<u>\$ 91,765</u>

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

NOTE 3 – RECEIVABLES (Continued)

Notes receivable represent amounts due from various entities and individuals. The purposes of the loans were to provide rehabilitation and low-income housing assistance. The notes are as follows:

<p>Note receivable from Parlier Taxi relating to business assistance grant through EDBG grant. Principal and interest of 3.0% per annum are payable in monthly installments of \$322 through November 2019.</p>	<p>\$ 28,871</p>
<p>Notes receivable from various low income residents relating to housing assistance. The loans are payable in thirty years or when property ownership is transferred. The proceeds for the loans are provided through the State Housing Grant and charge 0% interest.</p>	<p>1,519,567</p>
<p>Note receivable from Parlier Avila Associates relating to low-income apartments. The loan is payable from residual receipts over 55 years or when property ownership is transferred. The proceeds for the loan are provided through the Home Investment Partnership Program.</p>	<p>4,844,149</p>
<p>Note receivable from Parlier Parkwood Apartments relating to low-income apartments. As long as Parkwood rents to low-income tenants, they will pay back a discounted amount of ten equal installments, without interest, of \$83,418, beginning in December 2013.</p>	<p>750,762</p>
<p>Note receivable from Global Premier Development Inc. relating to the construction of 20 units in the Apartment Project. Principal and interest in the amount of 5 percent are deferred for the first five years and payments will commence thereafter. The loan principal and interest is due and payable in 2029. As of June 30, 2014, no interest has been accrued or principal payments have been made to the City.</p>	<p>1,310,000</p>
<p>Notes receivable from Parlier City employees relating to employee benefit loans. Principal and interest of 3.0% per annum are payable in monthly installments.</p>	<p>150,563</p>
<p>Note receivable from Lloyd & Geri's, Inc. relating to a financial assistance loan through a business assistance grant. Principal and interest of 2.0% per annum are payable in monthly installments of \$450 through June 2018.</p>	<p>32,843</p>
<p>Note receivable from Parlier Affordable Housing, LP relating to the construction of the Salandini Villa Apartments. As long as Salandini Villa rents to low-income tenants, they will pay back a discounted amount of ten equal installments, without interest, of \$27,491 annually.</p>	<p><u>247,420</u></p>
<p>Total notes receivable</p>	<p><u><u>\$ 8,884,175</u></u></p>

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

NOTE 4 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2014, is as follows:

Current Interfund Receivables/Payables

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

	Due From	Due to
Major Funds:		
Water	\$ 1,423,711	\$ -
General Fund	-	512,160
Housing Grants	-	178,693
Community Development	-	595,042
Day Care	-	137,816
Total	\$ 1,423,711	\$ 1,423,711

Transfers Between Funds

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 911,305	\$ 486,811
Housing Grants	-	200,000
Community Development	122,793	287,370
Other Governmental Funds:		
Measure C	-	3,953
Developer Impact Fees	-	63,964
Enterprise Funds:		
Water	-	150,000
Sewer	8,000	-
Disposal	150,000	-
	\$ 1,192,098	\$ 1,192,098

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

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,685,010	\$ -	\$ -	\$ 1,685,010
Construction in progress	<u>-</u>	<u>236,862</u>	<u>-</u>	<u>236,862</u>
Total capital assets	<u>1,685,010</u>	<u>236,862</u>	<u>-</u>	<u>1,921,872</u>
Capital assets, being depreciated:				
Buildings and improvements	2,454,020	-	-	2,454,020
Infrastructure	1,648,260	350,285	-	1,998,545
Machinery and equipment	<u>902,539</u>	<u>44,387</u>	<u>-</u>	<u>946,926</u>
Total capital assets, being depreciated	<u>5,004,819</u>	<u>394,672</u>	<u>-</u>	<u>5,399,491</u>
Less accumulated depreciation for:				
Buildings and improvements	(874,096)	(70,544)	-	(944,640)
Infrastructure	(144,869)	(41,206)	-	(186,075)
Machinery and equipment	<u>(804,721)</u>	<u>(37,983)</u>	<u>-</u>	<u>(842,704)</u>
Total accumulated depreciation	<u>(1,823,686)</u>	<u>(149,733)</u>	<u>-</u>	<u>(1,973,419)</u>
Total capital assets, being depreciated, net	<u>3,181,133</u>	<u>244,939</u>	<u>-</u>	<u>3,426,072</u>
Governmental activities capital assets, net	<u>\$ 4,866,143</u>	<u>\$ 481,801</u>	<u>\$ -</u>	<u>\$ 5,347,944</u>
	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,493,098	\$ -	\$ -	\$ 2,493,098
Construction in progress	<u>217,376</u>	<u>-</u>	<u>(217,376)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,710,474</u>	<u>-</u>	<u>(217,376)</u>	<u>2,493,098</u>
Capital assets, being depreciated:				
Plant and equipment	<u>10,221,564</u>	<u>376,089</u>	<u>-</u>	<u>10,597,653</u>
Total capital assets, being depreciated	<u>10,221,564</u>	<u>376,089</u>	<u>-</u>	<u>10,597,653</u>
Less: accumulated depreciation	<u>(5,354,118)</u>	<u>(308,333)</u>	<u>-</u>	<u>(5,662,451)</u>
Total capital assets, being depreciated, net	<u>4,867,446</u>	<u>67,756</u>	<u>-</u>	<u>4,935,202</u>
Business-type activities capital assets, net	<u>\$ 7,577,921</u>	<u>\$ 67,756</u>	<u>\$ (217,376)</u>	<u>\$ 7,428,300</u>

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

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Activities:	
General government	\$ 23,862
Public safety	41,991
Public works and development	24,893
Parks and recreation	<u>58,987</u>
Total	<u>\$ 149,733</u>
Business-Type Activities:	
Water	\$ 127,660
Sewer	<u>180,673</u>
Total	<u>\$ 308,333</u>

NOTE 6 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter.

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Business-Type Activities					
Bonds payable:					
1980 Water Revenue Bond	\$ 126,000	\$ -	\$ (126,000)	\$ -	\$ -
1987 Parlier Sewer Revenue Bond	695,000	-	(32,000)	663,000	34,000
1994 Sewer Revenue Bond	1,160,000	-	(35,000)	1,125,000	35,000
Note payable:					
California Department of Water Resources	<u>200,987</u>	<u>-</u>	<u>(26,136)</u>	<u>174,851</u>	<u>26,947</u>
Total business-type activities	<u>\$ 2,181,987</u>	<u>\$ -</u>	<u>\$ (219,136)</u>	<u>\$ 1,962,851</u>	<u>\$ 95,947</u>
Compensated Absences					
Governmental activities	\$ 188,173	\$ 28,655	\$ (35,575)	\$ 181,253	\$ 54,376
Business-type activities	<u>119,658</u>	<u>4,512</u>	<u>(39,852)</u>	<u>84,318</u>	<u>25,295</u>
Total compensated absences	<u>\$ 307,831</u>	<u>\$ 33,167</u>	<u>\$ (75,427)</u>	<u>\$ 265,571</u>	<u>\$ 79,671</u>

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

NOTE 6 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2014 was comprised of the following individual issues:

1980 Water Revenue Bonds – The 1980 Water Revenue Bonds in the amount of \$1,055,000 were issued in 1980. Interest on the bonds is 5.0 percent. The bonds were retired during the current fiscal year.

1987 Parlier Sewer Revenue Bonds – The 1987 Parlier Sewer Revenue Bonds in the amount of \$1,140,000 were issued in 1987. Interest in the amount of 5.0 percent is due semi-annually. Principal is paid annually.

1994 Sewer Revenue Bonds – The 1994 Sewer Revenue Bonds in the amount of \$1,560,000 were issued in 1994. Interest on the bonds is 5.0 percent.

California Department of Water Resources – The City borrowed \$491,160 from the California Department of Water Resources in year 2000 to finance water system improvements. The note requires semi-annual payments of \$16,065, including interest at 3.0815 percent.

The annual requirements to amortize the principal and interest on all long-term debt at June 30, 2014 are as follows:

Years Ending June 30,	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 95,947	\$ 94,583	\$ 190,530
2016	103,775	90,304	194,079
2017	105,654	85,626	191,280
2018	108,536	80,894	189,430
2019	116,453	76,027	192,480
2020-2024	525,486	304,082	829,568
2025-2029	572,000	166,050	738,050
2030-2033	335,000	42,750	377,750
	<u>\$ 1,962,851</u>	<u>\$ 940,316</u>	<u>\$ 2,903,167</u>

NOTE 7 – DEFICIT FUND BALANCES

Fund Balance and Net Position Deficits – The following is a summary of deficit fund balances net positions as of June 30, 2014:

Governmental Funds:	
Housing Grants	\$ 90,526
Community Development	490,641
Day Care	98,934
Enterprise Funds:	
Disposal	40,397

The deficit net position in the Disposal Fund is expected to be negated by future revenues and transfers from other funds.

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

NOTE 8 – PENSION PLAN

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

The City makes the combined contribution required of the City and the City's employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate, which is 20.426 percent for non-safety employees and 17.633 percent for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$230,191 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include: (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 503,407	100%	-
June 30, 2013	\$ 342,350	100%	-
June 30, 2014	\$ 230,191	100%	-

Funded Status and Funding Progress

The information presented below relates to statewide pools as a whole, of which the City is one participating employer. As of June 30, 2012, the most recent actuarial valuation date, the funded status of the plans were as follows:

Actuarial Valuation Date	Actuarial Entry Age Accrued Liability (a)	Actuarial Value of Assets (b)	Actuarial Underfunded (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	Underfunded (Overfunded) Liability as a % of Payroll [(a-b)/c]
Safety						
6/30/2013	2,507,534	1,999,457	508,077	79.7%	799,194	63.6%
Miscellaneous						
6/30/2013	3,614,187	2,659,426	954,761	73.6%	827,304	115.4%

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

NOTE 9 – 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 \$500,000 of each worker's compensation claim through 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 \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$1,500,000 to the statutory limit.

The CSJVRMA is a consortium of 55 cities in the 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 three to four times each 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. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for the fiscal year ended June 30, 2013 is as follows:

Total assets	\$ 82,190,005
Total liabilities	<u>66,304,596</u>
Member's equity	<u>\$ 15,885,409</u>
Total revenues for year	\$ 31,386,818
Total expenses for year	<u>27,784,428</u>
Revenues over (under) expenses	<u>\$ 3,602,390</u>

NOTE 10 – CONTINGENCIES

Federal and State Government Programs – The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may have been disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies effective June 28, 2011. As part of the State's review of certain accounting transactions that occurred during the transition period, they have potentially identified certain unallowable transfers from the prior redevelopment agency to the City. Although these transfers were approved by the newly installed Oversight Board and had been allowed by the California Department of Finance, the State Controller's Office (SCO) is contending that up to \$1,000,000 in transfers may need to be repaid by the City to the Successor Agency. The City is vigorously opposed to the SCO's position and is currently negotiating with the State. However, if the City is not successful in its attempt uphold the transfers then the City will be required to transfer the funds back to the Successor Agency from the General Fund, which will have a material impact on the City's financial position.

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

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

During the year the following prior period adjustments were recorded:

The beginning fund balance in the Community Development Special Revenue Fund was overstated by \$189,710 as a result of reporting revenue in the prior year financial statement that was measurable, but not available per revenue recognition requirements according to the modified basis of accounting as required by generally accepted accounting practices.

The beginning net position in the Governmental Activities column of the Government-Wide Financial Statements was understated by \$7,735,723 due to the overstatement of deferred revenue in the prior year financial statements. According to the accrual basis of accounting as required by generally accepted accounting principles, revenue must be recognized when they are earned and realizable. Availability, which is a criterion related strictly to the modified basis of accounting, is not applicable to the accrual basis of accounting.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,938,200	\$ 1,938,200	\$ 1,956,243	\$ 18,043
Intergovernmental	479,606	479,606	667,114	187,508
Charges for services	270,120	270,120	276,453	6,333
Licenses and permits	127,200	127,200	244,765	117,565
Fines and forfeitures	43,600	43,600	28,594	(15,006)
Interest and rents	41,000	41,000	49,951	8,951
Sale of equipment	-	-	500	500
Other	21,900	21,900	67,266	45,366
	<u>2,921,626</u>	<u>2,921,626</u>	<u>3,290,886</u>	<u>369,260</u>
EXPENDITURES				
Current:				
General government	231,665	231,665	226,287	5,378
Public safety	2,461,127	2,461,127	2,268,917	192,210
Public works	72,410	72,410	242,866	(170,456)
Community development	310,976	310,976	370,027	(59,051)
Parks and recreation	102,059	102,059	134,087	(32,028)
Capital outlay	95,385	95,385	46,191	49,194
	<u>3,273,622</u>	<u>3,273,622</u>	<u>3,288,375</u>	<u>(14,753)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(351,996)</u>	<u>(351,996)</u>	<u>2,511</u>	<u>354,507</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	911,305	911,305
Transfers out	-	-	(486,811)	(486,811)
	<u>-</u>	<u>-</u>	<u>424,494</u>	<u>424,494</u>
Net change in fund balance	<u>\$ (351,996)</u>	<u>\$ (351,996)</u>	427,005	<u>\$ 779,001</u>
Fund balance - beginning			<u>210,761</u>	
Fund balance - ending			<u>\$ 637,766</u>	

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
HOUSING GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,328,852	\$ 2,328,852	\$ 749,290	\$ (1,579,562)
Charges for services	-	-	43,253	43,253
Interest and rent	-	-	6	6
Other	-	-	3,811	3,811
	<u>2,328,852</u>	<u>2,328,852</u>	<u>796,360</u>	<u>(1,532,492)</u>
EXPENDITURES				
Current:				
Community development	<u>2,123,143</u>	<u>2,123,143</u>	<u>549,866</u>	<u>1,573,277</u>
Total expenditures	<u>2,123,143</u>	<u>2,123,143</u>	<u>549,866</u>	<u>1,573,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,709</u>	<u>205,709</u>	<u>246,494</u>	<u>40,785</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(200,000)	(200,000)
Total other financing sources (uses)	-	-	(200,000)	(200,000)
Net change in fund balance	<u>\$ 205,709</u>	<u>\$ 205,709</u>	46,494	<u>\$ (159,215)</u>
Fund balance - beginning			<u>(137,020)</u>	
Fund balance - ending			<u>\$ (90,526)</u>	

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,413,476	\$ 3,413,476	\$ 568,098	\$ (2,845,378)
Total revenues	3,413,476	3,413,476	568,098	(2,845,378)
EXPENDITURES				
Current:				
Public Works	-	-	225,228	(225,228)
Community development	2,615,319	2,615,319	553,439	2,061,880
Capital outlay	150,250	150,250	238,165	(87,915)
Total expenditures	2,765,569	2,765,569	1,016,832	1,748,737
Excess (deficiency) of revenues over (under) expenditures	647,907	647,907	(448,734)	(1,096,641)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	122,793	122,793
Transfers out	-	-	(287,370)	(287,370)
Total other financing sources (uses)	-	-	(164,577)	(164,577)
Net change in fund balance	\$ 647,907	\$ 647,907	(613,311)	\$ (1,261,218)
Fund balance - beginning			312,380	
Prior period adjustment			(189,710)	
Fund balance - beginning (restated)			122,670	
Fund balance - ending			\$ (490,641)	

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
DAY CARE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 890,500	\$ 890,500	\$ 665,157	\$ (225,343)
Charges for services	50,000	50,000	22,190	(27,810)
Total revenues	940,500	940,500	687,347	(253,153)
EXPENDITURES				
Current:				
Day care	795,065	795,065	781,031	14,034
Capital outlay	-	-	5,250	(5,250)
Total expenditures	795,065	795,065	786,281	8,784
Excess (deficiency) of revenues over (under) expenditures	\$ 145,435	\$ 145,435	(98,934)	\$ (244,369)
Fund balance - beginning			-	
Fund balance - ending			\$ (98,934)	

**CITY OF PARLIER
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – BUDGETARY INFORMATION

In accordance with applicable sections of the California Government Code and the Parlier Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year-end to the extent they have not been expended or encumbered.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As of June 30, 2014, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>General Fund</i>			
Public works	72,410	242,866	(170,456)
Community development	310,976	370,027	(59,051)
Parks and recreation	102,059	134,087	(32,028)
Transfers out	-	486,811	(486,811)
<i>Housing Grants Special Revenue Fund</i>			
Transfers out	-	200,000	(200,000)
<i>Community Development Special Revenue Fund</i>			
Public Works	-	225,228	(225,228)
Capital outlay	150,250	238,165	(87,915)
Transfers out	-	287,370	(287,370)
<i>Day Care Special Revenue Fund</i>			
Capital outlay	-	5,250	(5,250)

**CITY OF PARLIER
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Actuarial Valuation Date	Actuarial Entry Age Accrued Liability (a)	Actuarial Value of Assets (b)	Actuarial Underfunded (Overfunded) Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	Underfunded (Overfunded) Liability as a % of Payroll [(a-b)/c]
Safety						
6/30/2011	2,122,755	1,616,230	506,525	76.1%	945,792	53.6%
6/30/2012	2,221,361	1,634,446	586,915	73.6%	897,660	65.4%
6/30/2013	2,507,534	1,999,457	508,077	79.7%	799,194	63.6%
Miscellaneous						
6/30/2011	3,405,766	2,365,697	1,040,069	69.5%	1,113,040	93.4%
6/30/2012	3,526,673	2,386,781	1,139,892	67.7%	1,199,404	95.0%
6/30/2013	3,614,187	2,659,426	954,761	73.6%	827,304	115.4%

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SUPPLEMENTARY INFORMATION

**CITY OF PARLIER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Development Impact Fees	
ASSETS						
Cash and investments	\$ 982,028	\$ 978,285	\$ 89,275	\$ 1,148,246	\$ 143,049	\$ 3,340,883
Due from other governments	28,206	46,317	-	105,706	-	180,229
Interest receivable	100	200	-	200	-	500
 Total assets	 <u>\$ 1,010,334</u>	 <u>\$ 1,024,802</u>	 <u>\$ 89,275</u>	 <u>\$ 1,254,152</u>	 <u>\$ 143,049</u>	 <u>\$ 3,521,612</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 906	\$ 62,374	\$ 9,561	\$ 257	\$ 60,000	\$ 133,098
 Total liabilities	 <u>906</u>	 <u>62,374</u>	 <u>9,561</u>	 <u>257</u>	 <u>60,000</u>	 <u>133,098</u>
FUND BALANCES (DEFICITS)						
Restricted:						
Public works	1,009,428	962,428	79,714	1,253,895	83,049	3,388,514
 Total fund balances (deficits)	 <u>1,009,428</u>	 <u>962,428</u>	 <u>79,714</u>	 <u>1,253,895</u>	 <u>83,049</u>	 <u>3,388,514</u>
 Total liabilities and fund balances	 <u>\$ 1,010,334</u>	 <u>\$ 1,024,802</u>	 <u>\$ 89,275</u>	 <u>\$ 1,254,152</u>	 <u>\$ 143,049</u>	 <u>\$ 3,521,612</u>

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Development Impact Fees	
REVENUES						
Taxes	\$ -	\$ -	\$ 45,457	\$ -	\$ -	\$ 45,457
Intergovernmental	368,262	461,400	-	494,473	-	1,324,135
Licenses, permits and impact fees	-	-	-	-	26,892	26,892
Interest and rent	589	986	-	1,151	-	2,726
Total revenues	<u>368,851</u>	<u>462,386</u>	<u>45,457</u>	<u>495,624</u>	<u>26,892</u>	<u>1,399,210</u>
EXPENDITURES						
Public works	147,361	167,648	40,792	130,300	60,000	546,101
Capital outlay	-	354,299	-	49,650	-	403,949
Total expenditures	<u>147,361</u>	<u>521,947</u>	<u>40,792</u>	<u>179,950</u>	<u>60,000</u>	<u>950,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>221,490</u>	<u>(59,561)</u>	<u>4,665</u>	<u>315,674</u>	<u>(33,108)</u>	<u>449,160</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(3,953)	-	-	-	(63,964)	(67,917)
Total other financing sources (uses)	<u>(3,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,964)</u>	<u>(67,917)</u>
Net change in fund balances	217,537	(59,561)	4,665	315,674	(97,072)	381,243
Fund balances - beginning	791,891	1,021,989	75,049	938,221	180,121	3,007,271
Fund balances - ending	<u>\$ 1,009,428</u>	<u>\$ 962,428</u>	<u>\$ 79,714</u>	<u>\$ 1,253,895</u>	<u>\$ 83,049</u>	<u>\$ 3,388,514</u>

**CITY OF PARLIER
DAY CARE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Programs		Total
	CSPP-3061	CRPM-1008	
REVENUES AND SUPPORT			
State apportionments - Child Development Program	\$ 645,612	\$ -	\$ 645,612
State apportionments - One-Time Only	-	19,545	19,545
Parent fees - certified	22,190	-	22,190
	<u>667,802</u>	<u>19,545</u>	<u>687,347</u>
EXPENSES			
Certified salaries:			
Teachers' salaries	198,831	-	198,831
Classified salaries:			
Instructional aides' salaries	227,788	-	227,788
Other salaries	8,897	-	8,897
Employee benefits	85,671	-	85,671
Instructional supplies	29,769	-	29,769
Other supplies and groceries	70,691	-	70,691
Travel and conferences	2,554	-	2,554
Insurance	212	-	212
Utilities and housekeeping	23,445	-	23,445
Rents	18,080	-	18,080
Other operating expenditures	100,798	-	100,798
Equipment	-	19,545	19,545
	<u>766,736</u>	<u>19,545</u>	<u>786,281</u>
Total expenses			
	<u>766,736</u>	<u>19,545</u>	<u>786,281</u>
Net change in fund balances	(98,934)	-	(98,934)
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ (98,934)</u>	<u>\$ -</u>	<u>\$ (98,934)</u>

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF EXPENDITURES OF BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2014**

		Preschool Program CSPP-3061	Preschool Program CRPM-1008	Total
Expenditures				
1000	Certified Personnel Salaries	\$ 198,831	\$ -	\$ 198,831
2000	Classified Personnel Salaries	236,685	-	236,685
3000	Employee Benefits	85,671	-	85,671
4000	Books and Supplies	100,460	-	100,460
5000	Services and Other Operating Expenses	145,089	-	145,089
6000	Capital Outlay	-	19,545	19,545
Total expenditures claimed for reimbursement		<u>\$ 766,736</u>	<u>\$ 19,545</u>	<u>\$ 786,281</u>

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF RECONCILIATION OF CALIFORNIA DEPARTMENT OF EDUCATION
AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES EXPENSE REPORTING
FOR THE YEAR ENDED JUNE 30, 2014**

Expenses	<u>CSPP-3061</u>	<u>CRPM-1008</u>	<u>Total CDE Contracts</u>
Schedule of Expenditures by State Category (CDE)	\$ 766,736	\$ 19,545	\$ 786,281
Adjustments to Reconcile Difference in Reporting: None	<u>-</u>	<u>-</u>	<u>-</u>
Combining Statement of Activities	<u>\$ 766,736</u>	<u>\$ 19,545</u>	<u>\$ 786,281</u>

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF EQUIPMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

	Preschool Program CSP-3061	Renovation and Repairs CRPM-1008	Total
Unit Cost Under \$7,500 Per Item			
Cabinets, Sinks and Exit Signs	\$ -	\$ 1,121	\$ 1,121
Security Cameras	-	4,582	4,582
Fence Repairs	-	2,300	2,300
Gate Doors	-	2,475	2,475
Interior Paint	-	5,250	5,250
Other Miscellaneous	-	3,817	3,817
Subtotal	-	19,545	19,545
Unit Cost \$7,500 or More Per Item With Prior Written Approval			
None	-	-	-
Subtotal	-	-	-
Unit Cost \$7,500 or More Per Item Without Prior Approval			
None	-	-	-
Subtotal	-	-	-
Total	\$ -	\$ 19,545	\$ 19,545

**CITY OF PARLIER
DAY CARE CENTER
COMBINING SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

	Preschool Program CSPP-3061	Renovation and Repairs CRPM-1008	Total
Expenditures Under \$10,000 Unit Cost			
None	\$ -	\$ -	\$ -
Total	-	-	-
Expenditures Over \$10,000 Unit Cost With CDD Approval			
None	-	-	-
Total	-	-	-
Expenditures Over \$10,000 Unit Cost Without CDD Approval			
None	-	-	-
Total	-	-	-
Total Renovation and Repair Expenditures	\$ -	\$ -	\$ -

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Reimbursable Administrative Costs	<u>CSP-3061</u>	<u>CRPM-1008</u>	<u>Total</u>
Salaries	\$ 43,552	\$ -	\$ 43,552
Employee Benefits	8,567	-	8,567
Books and Supplies	10,046	-	10,046
Services and Other Operating Expense	<u>14,509</u>	<u>-</u>	<u>14,509</u>
Total	<u>\$ 76,674</u>	<u>\$ -</u>	<u>\$ 76,674</u>

AUDITED ATTENDANCE AND FISCAL REPORT

for California State Preschool Programs

Agency Name: City of Parlier Vendor No. 10 2190
 Fiscal Year Ended: June 30, 2014 Contract No. CSPP-3061
 Independent Auditor's Name: Price, Paige & Company

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	-		-	1.1800	-
Full-time	8,232		8,232	1.0000	8,232.000
Three-quarters-time	-		-	0.7500	-
One-half-time	-		-	0.6172	-
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	13,483		13,483	1.1000	14,831.300
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	21,715	-	21,715		23,063.300
DAYS OF OPERATION	249	-	249		
DAYS OF ATTENDANCE	21,715	-	21,715		

Comments - If necessary, attach additional sheets to explain adjustments:

NO NONCERTIFIED CHILDREN - Check this box, omit page 2, and continue to Section III if no noncertified children were enrolled in the program.

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: City of Parlier Vendor No. 10 2190

Fiscal Year End: June 30, 2014 Contract No. CSPP-3061

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
Transfer from Reserve	389		389
Family Fees for Certified Children Full-Day Program (CSPP-3061)	35,840	(13,650)	22,190
Family Fees for Certified Children Part-Day Program			0
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$36,229	(\$13,650)	\$22,579

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$198,830	\$1	\$198,831
2000 Classified Salaries	227,788	8,897	236,685
3000 Employee Benefits	85,480	191	85,671
4000 Books and Supplies	33,018	67,442	100,460
5000 Services and Other Operating Expenses	221,620	(76,531)	145,089
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$766,736	\$0	\$766,736
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$76,674	\$0	\$76,674

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

The adjustments were reclassifications of expenses to more appropriate lines. The adjustment to parent fees is due to Parlier charging an unallowable tuition fee in addition to the normal parent fee calculation.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.

AUD 8501, Page 3 of 4 (FY 2013-14) California Department of Education

**AUDITED FISCAL REPORT
for Child Development CRPM Support Contracts**

Agency Name: City of Parlier Vendor No. 10 2190
 Fiscal Year End: June 30, 2014 Contract No. CRPM-1008
 Contract Term From: July 01, 2011 To: June 30, 2014
 Independent Auditor's Name: Price, Paige & Company

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR YEAR'S AUD 9529-CRPM ENDING BALANCE FOR THIS CONTRACT (Multi- Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529- CRPM	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
SECTION I - REVENUE				
RESTRICTED INCOME				
Prorated Portion for Nonsubsidized Enrollment	\$0	\$0	\$0	\$0
Other (Specify):				0
Other (Specify):				0
Other (Specify):				0
Subtotal	\$0	\$0	\$0	\$0
INTEREST EARNED ON APPORTIONMENTS				
UNRESTRICTED INCOME				
Other (Specify):				0
Other (Specify):				0
TOTAL REVENUE	\$0	\$0	\$0	\$0

SECTION II - REIMBURSABLE EXPENSES				
1000 Certificated Salaries	\$0	\$0	\$0	\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (<i>program-related</i>)				0
6500 Replacement Equipment (<i>program-related</i>)	455	17,500	2,045	20,000
Depreciation or Use Allowance				0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable Capital Outlay				0
Other (Specify):				0
Other (Specify):				0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT (Subsidized and Nonsubsidized)	\$455	\$17,500	\$2,045	20,000
FOR CDE-A&I USE ONLY:				

COMMENTS - If necessary, attach additional sheets to explain adjustments:
 When the June CDFS 9529 was completed it was assumed that the amount of expenses incurred in the previous year was \$2,500, when it was actually only \$455. The City had reduced their expense claimed because of that.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 2 if there are no supplemental revenues or expenses to report.

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of Parlier

Fiscal Year End: June 30, 2014

Vendor No. 10 2190

Independent Auditor's Name: Price, Paige & Company

RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

LAST YEAR:

1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$4,545	\$0	\$4,545
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.	\$0	\$0	\$0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)	\$4,156		\$4,156
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$389	\$0	\$389

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$0	\$0	\$0
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No. CSPP-3061	\$389	\$0	\$389
Contract No.			0
Total Transferred to Contracts from Reserve Account	389	0	389
7. Ending Balance on June 30, 2014 (column A must agree with this year's CDFS 9530-A, Section IV)	\$0	\$0	\$0

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Prior year financial statements did not include AUD9530-A. We are working backwards knowing that the transfer from the reserve in the current year was \$389, and that the intended ending balance should be \$0. Based on the amount of cash and deferred revenue listed in FY13, we are assuming that FY13's ending reserve cash was \$4,545.

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OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

CITY OF PARLIER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
FEDERAL:			
<u>U.S. Department for Housing and Community Development</u>			
Direct Awards:			
Community Development Block Grant	14.228	11-PTEC-7638	\$ 75,911
Community Development Block Grant	14.228	12-CDBG-8406	9,515
			<u>85,426</u>
Passed through the California Department of Housing and Community Development:			
Home Investment Partnership Program	14.239	11-HOME-7656	<u>200,901</u>
Total U.S. Department of Housing and Urban Development			<u>286,327</u>
<u>U.S. Department of Agriculture</u>			
Direct Award:			
Community Facilities Loans and Grants	10.766	N/A	<u>26,030</u>
Total U.S. Department of Agriculture			<u>26,030</u>
<u>U.S. Department of Justice</u>			
Passed through the California Department of Justice:			
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2011-UM-WX-0020	63,308
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0099	2,574
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2013-UM-WX-0015	<u>21,921</u>
			87,803
Direct award:			
Edward Byrne Memorial Justice Assistance Grant	16.804	2012-DJ-BX-0983	<u>3,593</u>
Total U.S. Department of Justice			<u>91,396</u>
<u>U.S. Department of Transportation</u>			
Passed through the City of Clovis Police Department:			
Minimum Penalties for Repeat Offenders for Driving	20.608	AL1445	<u>10,378</u>
Passed through the California Department of Transportation:			
Federal Safe Routes to School	20.205	SRTL-5252(014)	48,480
Congestion Mitigation and Air Quality Agreement	20.205	CML-5252(016)	<u>158,322</u>
			<u>206,802</u>
Total U.S. Department of Transportation			<u>217,180</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the California Department of Education:			
Child Development Programs 23038-2190	93.596	CSPP-3061	129,495
Child Development Programs 13609-2190	93.575	CSPP-3061	<u>61,769</u>
Total U.S. Department of Health and Human Services			<u>191,264</u>
Total Federal Expenditures			<u>\$ 812,197</u>

**CITY OF PARLIER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
STATE:			
California Department of Education:			
Child Development Programs 23038-2190		CSPP-3061	\$ 327,579
Child Development Programs 13609-2190		CSPP-3061	211,664
Facilities Renovation and Repair		CRPM-1008	19,545
Program Income		CSPP-3061	22,190
Reserve Transfer			<u>389</u>
Total California Department of Education			<u>581,367</u>
Total State Expenditures			<u>581,367</u>
Total Federal and State Expenditures			<u>\$ 1,393,564</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) utilizes the modified accrual method of accounting for reporting of federal expenditures. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City of Parlier. The Schedule includes federal awards received directly from federal agencies, as well as federal financial assistance passed through other agencies. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the operations of the City as a whole.



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 Parlier, 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 the City of Parlier, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2014.

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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2014-001 and 2014-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Findings 2014-003, 2014-004 and 2014-005.

City's Response to Findings

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
December 12, 2014

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on CFDA 14.239 Home Investment Partnership Program

As described in the accompanying schedule of findings and questioned costs, the City of Parlier, California, did not comply with requirements regarding CFDA 14.239 Home Investment Partnership Program as described in Finding 2014-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for City to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.239 Home Investment Partnership Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Parlier, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.239 Home Investment Partnership Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Parlier, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

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

This report has replaced a previously issued report also dated December 12, 2014, which was reissued due to changes made to the Schedule of Findings and Questioned Costs (Schedule). The original report included language stating that we identified a significant deficiency in the City's internal control over compliance; however, the only finding related to the City's internal control over compliance was determined to be a material weakness. The Schedule also originally identified the finding as a significant deficiency rather than a material weakness and did not identify the audit finding as a finding required to be reported in accordance with Section 510(a) of Circular A-133. Finally, the language in finding 2014-003 was updated to include the name of the federal granting agency and to indicate there were no questioned costs related to our finding. No additional audit procedures were required to be performed.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2014-003 to be a material weakness.

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

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

Price Pange & Company

Clovis, California
December 12, 2014

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

Identification of Major Programs

CFDA Number
 20.205
 14.239

Name of Federal Program or Cluster
 Congestion Mitigation and Air Quality Program
 Home Investment Partnership Program

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

Auditee qualified as a low-risk auditee? yes X no

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2014-001 – Internal Controls Over Financial Reporting (Material Weakness)

Condition: We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2014 were not effective. The City hired an external accounting firm to oversee current finance department activities and to help prepare for the audit. The external firm made their best attempt to properly close the books, but the errors they encountered were significant and they were unable to fully complete the closing process and as a result material audit adjustments were required.

Criteria: An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information and compliance with laws and regulations.

Effect: The City was not able to completely close its books and generate year-end accounting reconciliations in a timely manner. As a result, during the performance of the financial audit for the year ended June 30, 2014, there were significant delays and various schedules provided to the auditors required further reconciliation and adjustment.

Recommendation: We recommend that the City continue to engage the services of the external accounting firm to oversee financial accounting and reporting. The use of the external CPA firm should lead to a complete and proper closing of the City's accounting books for the June 30, 2015 fiscal year.

Response: Utilization of the external accounting firm for the complete fiscal year of 14-15 will lead to a more complete and proper closing of the accounting for fiscal year 14-15.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2014-002 – Grant Accounting (Material Weakness)

Condition: The City's grant management process operates in a decentralized format which has resulted in ineffective oversight over grant administrators. The City experienced improper coding of cash receipts from grant reimbursements and improper coding of grant expenditures.

Criteria: The City's internal control system should be designed to ensure that the grant agreements, and other similar documents are properly accounted for, recorded, and in compliance with requirements that could have a direct and material effect on the determination of the financial statement amounts. Claims for reimbursements should be filed in a timely manner soon after the incurrence and payment of qualified related expenditures, and recorded in the proper fund.

Cause: There is a lack of communication between the grant administrators and the Finance Department in regards to the grant activity. Finance Department staff are not properly trained on how to effectively keep track of grant balances.

Effect: The City's lack of grant accounting increases the likelihood of material misstatements in the financial statements due to improper accounting of grant activity.

Recommendation: We recommend that the City establish a control system to ensure that amounts expended are timely submitted for reimbursement, all required forms are compiled and prepared in the format prescribed by the grantor, and reimbursement packages are reviewed and approved by supervisory personnel, and the staff is properly trained on how to account for grant activity in the general ledger.

Response: Finance Department will coordinate with Grant Administration to insure correct reflection of grant activity in the financial records.

SECTION III – FEDERAL AWARDS FINDINGS

2014-003 – 14.239 Home Investment Partnership Program

Condition: The City prepared and filed quarterly and annual performance reports and State HOME Project Monthly Status Reports for its 11-HOME-7656 pass-through grant from the State of California, Department of Housing and Community Development (the Department), with funding originating from the U.S. Department of Housing and Urban Development. Our testing under OMB A-133 required that we trace the amounts on the reports to the City's financial accounting records. We found that the reports filed during the year ended June 30, 2014 were not accurate because they did not reconcile with the expenditures recorded in the City's general ledger.

Criteria: Federal and state audit guidelines for HOME grants require that timely and accurate financial and performance reports be submitted to the granting agency.

Cause: The City does not have adequate internal control procedures to ensure that accurate and timely financial reports are prepared, reviewed and filed.

Questioned Costs: \$0

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

SECTION III – FEDERAL AWARDS FINDINGS (Continued)

2014-003 – 14.239 Home Investment Partnership Program (Continued)

- Effect: The financial transaction reports filed with the Department were not accurate and as a result the City was not in compliance with the grant requirements.
- Recommendation: The City should establish an adequate system of internal control over financial reporting that includes review and reconciliation of reports filed with federal and state granting agencies. The preparer of the report should take care to ensure that amounts included in the report agree to amounts recorded in the general ledger. A management level employee should review the report for accuracy prior to submission.
- Response: Finance Department and Grant Administration will coordinate more effectively to insure correct recording of both the general Ledger and Grant Reports.

SECTION IV – STATE PRESCHOOL FINDINGS

CDE-2014-004 – Tuition Fees

- Condition: For families participating in the City of Parlier's State Preschool Program, families are to be charged based on the California Department of Education's Family Fee Schedule for services provided. Parlier's Day Care Center was charging a separate tuition fee in addition to the calculated family fee to each family.
- Criteria: Per the California State Preschool Program's (CSPP) Funding Terms and Conditions, California State Preschool Programs Requirements Section VI C., neither the contractor nor a provider of services shall require or solicit, in cash or in-kind, additional payments from the recipients of the service.
- Cause: The previous City Manager was trying to increase revenues to help sustain the Day Care Center fund without a detailed understanding of the California Department of Education requirements.
- Effect: The majority of the families participating in Parlier's Day Care Center were charged \$35 in excess of their calculated monthly family fee. This resulted in the Day Care Center collecting unallowable fees of \$13,650, which overstated revenue and understated liabilities by that amount.
- Recommendation: The Day Care Center should refund each applicable parent the amount of money they were overcharged. City management should have a greater awareness of general requirements of the day care program, and when in doubt should consult with their regional CDE official.
- Response: Families which were charged the excess parent fees have been identified and refund checks are in process, pending approval and distribution.

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

SECTION IV – STATE PRESCHOOL FINDINGS (Continued)

CDE-2014-005 – Parent Fee Controls

Condition: Although the Parlier Day Care Center has appropriately segregated duties with regards to the collection of parent fees (billing occurs on-site and payments are collected at City Hall), there is no reconciliation process in place to determine whether the amount billed is what actually ends up being recorded as revenue in the general ledger.

Criteria: Per the California Department of Education Audit Guide, contractors must have adequately separated significant financial duties and responsibilities among staff.

Cause: Communication between City Hall and the Day Care Center, who manage the financial and operational aspects of the program, respectively, is not consistent.

Effect: The parent fees that are collected are more susceptible to being misappropriated without a reconciliation being performed. Parents may be failing to make timely payments while their children are still allowed to be enrolled at the Day Care Center, which could result in ineligible children receiving benefits.

Recommendation: The Day Care Center should review financial reports prepared by City Hall each month to ensure that parent fees that have been billed are being collected for the proper amounts and in a timely manner.

Response: Procedures are being put into place to provide monthly reports from the City's Finance Department to the daycare for their review and reconciliation.

**CITY OF PARLIER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Prior Audit Findings

Finding 2013-001 – Not Implemented, See Current Year Finding 2014-001.

Finding 2013-002 – Implemented

Finding 2013-003 – Not Implemented, See Current Year Finding 2014-002.

Finding 2013-004 – Implemented

Finding 2013-005 – Implemented