

**CITY OF PARLIER
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015**

**CITY OF PARLIER
CALIFORNIA
JUNE 30, 2015**

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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 on pages 44-47, the proportionate share of net pension liability on page 48, and the schedule of contributions on page 49 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 on pages 52-61 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 14, 2015, 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 14, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,938,518	\$ 664,934	\$ 4,603,452
Accounts receivable	69,944	508,682	578,626
Due from other governments	1,003,557	217,800	1,221,357
Internal balances	(1,407,331)	1,407,331	-
Interest receivable	305	204	509
Deposits	405,285	-	405,285
Notes receivable	9,012,364	-	9,012,364
Related party receivables, net	99,092	-	99,092
Capital assets:			
Non-depreciable	2,114,882	2,594,636	4,709,518
Depreciable (net)	<u>3,369,944</u>	<u>4,404,638</u>	<u>7,774,582</u>
 Total assets	 <u>18,606,560</u>	 <u>9,798,225</u>	 <u>28,404,785</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>282,291</u>	<u>135,340</u>	<u>417,631</u>
 Total deferred outflow of resources	 <u>282,291</u>	 <u>135,340</u>	 <u>417,631</u>
LIABILITIES			
Accounts payable and accrued expenses	498,221	313,855	812,076
Accrued interest	-	30,493	30,493
Deposits	7,000	50,329	57,329
Unearned revenue	537,535	-	537,535
Net pension liability	953,376	649,154	1,602,530
Noncurrent liabilities:			
Due within one year:			
Bonds payable	-	76,000	76,000
Note payable	-	27,775	27,775
Compensated absences	49,079	18,844	67,923
Due in more than one year:			
Bonds payable	-	1,643,000	1,643,000
Note payable	-	120,129	120,129
Compensated absences	<u>114,518</u>	<u>43,968</u>	<u>158,486</u>
 Total liabilities	 <u>2,159,729</u>	 <u>2,973,547</u>	 <u>5,133,276</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>315,430</u>	<u>148,356</u>	<u>463,786</u>
 Total deferred inflows of resources	 <u>315,430</u>	 <u>148,356</u>	 <u>463,786</u>
NET POSITION			
Net investment in capital assets	5,484,826	5,132,370	10,617,196
Restricted for debt service	-	161,000	161,000
Restricted for public works	3,689,423	-	3,689,423
Unrestricted	<u>7,239,443</u>	<u>1,518,292</u>	<u>8,757,735</u>
 Total net position	 <u>\$ 16,413,692</u>	 <u>\$ 6,811,662</u>	 <u>\$ 23,225,354</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, 2015**

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	\$ 1,815,298	\$ -	\$ -	\$ -	\$ (1,815,298)	\$ -	\$ (1,815,298)
Public safety	2,534,081	287,083	764,740	(11,507)	(1,493,765)	-	(1,493,765)
Public works	1,310,099	-	1,620,592	21,580	332,073	-	332,073
Community development	4,396,984	259,875	3,827,783	-	(309,326)	-	(309,326)
Parks and recreation	315,327	42,395	-	-	(272,932)	-	(272,932)
Day care	809,361	36,425	763,637	-	(9,299)	-	(9,299)
Total governmental activities	11,181,150	625,778	6,976,752	10,073	(3,568,547)	-	(3,568,547)
Business-type activities:							
Water	1,361,343	1,630,568	-	-	-	269,225	269,225
Sewer	1,577,909	1,307,868	-	-	-	(270,041)	(270,041)
Disposal	1,128,372	1,095,963	-	-	-	(32,409)	(32,409)
Total business-type activities	4,067,624	4,034,399	-	-	-	(33,225)	(33,225)
Total primary government	\$ 15,248,774	\$ 4,660,177	\$ 6,976,752	\$ 10,073	(3,568,547)	(33,225)	(3,601,772)
General revenues:							
Property taxes					427,056	-	427,056
Motor vehicle taxes					1,095,209	-	1,095,209
Sales taxes					484,618	-	484,618
Franchise taxes					215,859	-	215,859
Licenses and permits					212,839	-	212,839
Interest and rent					58,302	-	58,302
Sale of asset					3,045	-	3,045
Other					129,526	14,792	144,318
Total general revenues and transfers					2,626,454	14,792	2,641,246
Changes in net position					(942,093)	(18,433)	(960,526)
Net position - beginning (restated)					17,355,785	6,830,095	24,185,880
Net position - ending					\$ 16,413,692	\$ 6,811,662	\$ 23,225,354

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, 2015

	General	Housing Grants	Day Care	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ -	\$ 277,070	\$ -	\$ 3,661,448	\$ 3,938,518
Accounts receivable	5,502	-	64,442	-	69,944
Due from other governments	455,845	397	108,231	439,084	1,003,557
Interest receivable	7	-	-	298	305
Deposits	-	405,285	-	-	405,285
Notes receivable, net	887,272	8,076,866	-	48,226	9,012,364
Related party receivables	99,092	-	-	-	99,092
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,447,718</u>	<u>\$ 8,759,618</u>	<u>\$ 172,673</u>	<u>\$ 4,149,056</u>	<u>\$ 14,529,065</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 222,232	\$ 174,268	\$ 34,684	\$ 67,036	\$ 498,220
Deposits	7,000	-	-	-	7,000
Unearned revenue	-	537,535	-	-	537,535
Due to other funds	914,596	-	137,991	354,744	1,407,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,143,828</u>	<u>711,803</u>	<u>172,675</u>	<u>421,780</u>	<u>2,450,086</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	258,174	-	108,231	371,020	737,425
Deferred loans	-	8,076,866	-	-	8,076,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>258,174</u>	<u>8,076,866</u>	<u>108,231</u>	<u>371,020</u>	<u>8,814,291</u>
FUND BALANCES					
Nonspendable:					
Notes receivable	887,272	-	-	48,226	935,498
Restricted:					
Public Works	-	-	-	3,689,423	3,689,423
Unassigned	(841,556)	(29,051)	(108,233)	(381,393)	(1,360,233)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>45,716</u>	<u>(29,051)</u>	<u>(108,233)</u>	<u>3,356,256</u>	<u>3,264,688</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,447,718</u>	<u>\$ 8,759,618</u>	<u>\$ 172,673</u>	<u>\$ 4,149,056</u>	<u>\$ 14,529,065</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, 2015**

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

Total fund balances - governmental funds	\$ 3,264,688
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,484,826
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,814,290
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(163,597)
Net pension liability and related deferred inflows of resources and outflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	<u>(986,515)</u>
Net position of governmental activities	<u>\$ 16,413,692</u>

CITY OF PARLIER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Housing Grants	Day Care	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,175,206	\$ -	\$ -	\$ 47,536	\$ 2,222,742
Intergovernmental	743,740	3,843,754	763,637	1,709,500	7,060,631
Charges for services	390,806	119,782	36,425	-	547,013
Licenses, permits and impact fees	182,371	-	-	30,468	212,839
Fines and forfeitures	19,158	-	-	-	19,158
Interest and rent	56,649	28,271	-	1,098	86,018
Other	82,097	-	-	555	82,652
Total revenues	<u>3,650,027</u>	<u>3,991,807</u>	<u>800,062</u>	<u>1,789,157</u>	<u>10,231,053</u>
EXPENDITURES					
Current:					
General government	490,727	-	-	-	490,727
Public safety	2,509,196	-	-	-	2,509,196
Public works	137,003	-	-	566,772	703,775
Community development	430,326	3,930,332	-	179,876	4,540,534
Parks and recreation	249,934	-	-	-	249,934
Day care	-	-	802,930	-	802,930
Capital outlay	126,821	-	6,431	588,607	721,859
Total expenditures	<u>3,944,007</u>	<u>3,930,332</u>	<u>809,361</u>	<u>1,335,255</u>	<u>10,018,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,980)</u>	<u>61,475</u>	<u>(9,299)</u>	<u>453,902</u>	<u>212,098</u>
OTHER FINANCING SOURCES (USES)					
Sale of equipment	3,045	-	-	-	3,045
Transfers in	13,000	-	-	23,014	36,014
Transfers out	(17,481)	-	-	(18,533)	(36,014)
Total other financing sources (uses)	<u>(1,436)</u>	<u>-</u>	<u>-</u>	<u>4,481</u>	<u>3,045</u>
Change in fund balances	(295,416)	61,475	(9,299)	458,383	215,143
Fund balance - beginning (restated)	<u>341,132</u>	<u>(90,526)</u>	<u>(98,934)</u>	<u>2,897,873</u>	<u>3,049,544</u>
Fund balances - ending	<u>\$ 45,716</u>	<u>\$ (29,051)</u>	<u>\$ (108,233)</u>	<u>\$ 3,356,256</u>	<u>\$ 3,264,688</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, 2015**

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

Net change in fund balances - total governmental funds	\$	215,143
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.		17,656
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.		307,708
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.		(170,826)
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 revenue or expenditures in the governmental fund (net change):		
Bad debt expense		(1,310,000)
Unavailable revenue		(1,441)
Deferred loans		6,400
Change in pension liability		<u>(6,733)</u>
Change in net position of governmental activities	\$	<u>(942,093)</u>

**CITY OF PARLIER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities			Total
	Water	Sewer	Disposal	
ASSETS				
Current assets:				
Cash and investments	\$ 540,032	\$ 124,902	\$ -	\$ 664,934
Accounts receivable, net	281,133	137,649	89,900	508,682
Due from other governments	217,800	-	-	217,800
Due from other funds	1,487,040	-	-	1,487,040
Interest receivable	<u>177</u>	<u>27</u>	<u>-</u>	<u>204</u>
Total current assets	<u>2,526,182</u>	<u>262,578</u>	<u>89,900</u>	<u>2,878,660</u>
Noncurrent assets:				
Property, plant and equipment (net of allowance for depreciation)	<u>1,703,162</u>	<u>5,296,112</u>	<u>-</u>	<u>6,999,274</u>
Total noncurrent assets	<u>1,703,162</u>	<u>5,296,112</u>	<u>-</u>	<u>6,999,274</u>
Total assets	<u>4,229,344</u>	<u>5,558,690</u>	<u>89,900</u>	<u>9,877,934</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>40,778</u>	<u>73,801</u>	<u>20,761</u>	<u>135,340</u>
Total deferred outflows of resources	<u>40,778</u>	<u>73,801</u>	<u>20,761</u>	<u>135,340</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	104,292	126,261	83,302	313,855
Accrued interest	1,143	29,350	-	30,493
Deposits	50,329	-	-	50,329
Due to other funds	-	-	79,709	79,709
Bonds payable	-	76,000	-	76,000
Notes payable	27,775	-	-	27,775
Compensated absences	<u>9,146</u>	<u>9,146</u>	<u>552</u>	<u>18,844</u>
Total current liabilities	<u>192,685</u>	<u>240,757</u>	<u>163,563</u>	<u>597,005</u>
Noncurrent liabilities:				
Bonds payable	-	1,643,000	-	1,643,000
Notes payable	120,129	-	-	120,129
Compensated absences	21,340	21,340	1,288	43,968
Net pension liability	<u>115,984</u>	<u>505,468</u>	<u>27,702</u>	<u>649,154</u>
Total noncurrent liabilities	<u>257,453</u>	<u>2,169,808</u>	<u>28,990</u>	<u>2,456,251</u>
Total liabilities	<u>450,138</u>	<u>2,410,565</u>	<u>192,553</u>	<u>3,053,256</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>81,123</u>	<u>21,741</u>	<u>45,492</u>	<u>148,356</u>
Total deferred inflows of resources	<u>81,123</u>	<u>21,741</u>	<u>45,492</u>	<u>148,356</u>
NET POSITION				
Net investment in capital assets	1,555,258	3,577,112	-	5,132,370
Restricted for debt service	-	161,000	-	161,000
Unrestricted (deficit)	<u>2,183,603</u>	<u>(537,927)</u>	<u>(127,384)</u>	<u>1,518,292</u>
Total net position	<u>\$ 3,738,861</u>	<u>\$ 3,200,185</u>	<u>\$ (127,384)</u>	<u>\$ 6,811,662</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, 2015

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Operating revenues:				
Charges for services	\$ 1,619,836	\$ 1,273,534	\$ 1,090,963	\$ 3,984,333
Connection fees	4,852	7,388	-	12,240
Other revenue	11,985	6,943	5,000	23,928
Total operating revenues	<u>1,636,673</u>	<u>1,287,865</u>	<u>1,095,963</u>	<u>4,020,501</u>
Operating expenses:				
Contractual services and utilities	709,672	906,595	974,861	2,591,128
Personnel	324,588	317,605	139,101	781,294
Supplies and materials	167,875	85,383	2,531	255,789
Bad debt expense	18,027	11,777	11,879	41,683
Depreciation	136,202	170,162	-	306,364
Total operating expenses	<u>1,356,364</u>	<u>1,491,522</u>	<u>1,128,372</u>	<u>3,976,258</u>
Operating income (loss)	<u>280,309</u>	<u>(203,657)</u>	<u>(32,409)</u>	<u>44,243</u>
Nonoperating revenues (expenses):				
Development impact fees	2,157	26,533	-	28,690
Interest expense	(4,979)	(86,387)	-	(91,366)
Total nonoperating revenues (expenses)	<u>(2,822)</u>	<u>(59,854)</u>	<u>-</u>	<u>(62,676)</u>
Income (loss) before transfers	<u>277,487</u>	<u>(263,511)</u>	<u>(32,409)</u>	<u>(18,433)</u>
Change in net position	277,487	(263,511)	(32,409)	(18,433)
Net position - beginning (restated)	<u>3,461,374</u>	<u>3,463,696</u>	<u>(94,975)</u>	<u>6,830,095</u>
Net position - ending	<u>\$ 3,738,861</u>	<u>\$ 3,200,185</u>	<u>\$ (127,384)</u>	<u>\$ 6,811,662</u>

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

**CITY OF PARLIER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,347,268	\$ 1,249,425	\$ 1,080,949	\$ 3,677,642
Cash payments to suppliers of goods or services	(866,968)	(932,390)	(1,047,633)	(2,846,991)
Cash payments to employees for services	(338,874)	(328,846)	(140,465)	(808,185)
Other operating cash receipts	11,985	6,943	5,001	23,929
Net cash provided (used) by operating activities	<u>153,411</u>	<u>(4,868)</u>	<u>(102,148)</u>	<u>46,395</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenues - noncapital	117,908			117,908
Cash receipts from developers	2,157	26,533	-	28,690
Loans from/(to) other funds	(117,908)	-	79,709	(38,199)
Net cash provided (used) by noncapital financing activities	<u>2,157</u>	<u>26,533</u>	<u>79,709</u>	<u>108,399</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds	(63,329)	(69,000)	-	(132,329)
Principal paid on notes	(26,947)	-	-	(26,947)
Interest paid on long-term debt	(5,187)	(87,675)	-	(92,862)
Acquisition of capital assets	(81,326)	(85,800)	-	(167,126)
Net cash provided (used) by capital and related financing activities	<u>(176,789)</u>	<u>(242,475)</u>	<u>-</u>	<u>(419,264)</u>
Cash flows from investing activities:				
Interest received	(177)	(27)	(1)	(205)
Net cash provided (used) by investing activities	<u>(177)</u>	<u>(27)</u>	<u>(1)</u>	<u>(205)</u>
Net increase (decrease) in cash	(21,398)	(220,837)	(22,440)	(264,675)
Cash, beginning of year	561,430	345,739	22,440	929,609
Cash, end of year	<u>\$ 540,032</u>	<u>\$ 124,902</u>	<u>\$ -</u>	<u>\$ 664,934</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Operating income (loss)	\$ 280,309	\$ (203,657)	\$ (32,409)	\$ 44,243
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	136,202	170,162	-	306,364
Pension expense	36,563	72,631	18,616	127,810
(Increase) decrease in:				
Accounts receivable	(232,568)	(19,720)	1,865	(250,423)
Deferred outflows of resources for pension	(40,778)	(73,801)	(20,761)	(135,340)
Increase (decrease) in:				
Accounts payable	10,579	59,588	(68,096)	2,071
Deposits and other liabilities	(26,825)	-	-	(26,825)
Compensated absences	(10,071)	(10,071)	(1,363)	(21,505)
Net cash provided (used) by operating activities	<u>\$ 153,411</u>	<u>\$ (4,868)</u>	<u>\$ (102,148)</u>	<u>\$ 46,395</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, 2015**

ASSETS

Cash and investments	\$ 1,535,944
Cash and investments with fiscal agent	1,203,993
Interest receivable	131
Notes receivable	104,266
Land held for resale	<u>1,580,636</u>

Total assets	<u>\$ 4,424,970</u>
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LIABILITIES

Accounts payable	\$ 10,900
Interest payable	247,478
Long-term debt due within one year	460,000
Long-term debt due in more than one year	<u>11,090,000</u>

Total liabilities	<u>11,808,378</u>
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NET POSITION

Held in trust for other governments	<u>\$ (7,383,408)</u>
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**CITY OF PARLIER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2015**

ADDITIONS	
Property taxes	\$ 1,114,731
Investment earnings and other	<u>30,913</u>
Total additions	<u>1,145,644</u>
DEDUCTIONS	
Administrative expenses	42,380
Programs expenses	209,420
Interest and fiduciary expenses of former redevelopment agency	595,554
Sale of property	<u>179,223</u>
Total deductions	<u>1,026,577</u>
Change in net position	119,067
Net position - beginning (restated)	<u>(7,502,475)</u>
Net position - ending	<u>\$ (7,383,408)</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, 2015**

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 non-fiduciary activities of the primary government and its component units. 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, 2015

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. 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.

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.

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows for each major enterprise fund and non-major fund.

The City has three major enterprise funds, the Water, Disposal, Sewer, which are used to account for operations that are financed and operated in a manner similar to private business enterprises. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

- ♦ The **Water Fund** is used to account for financial activity of the water utility system.
- ♦ The **Disposal Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.
- ♦ The **Sewer** is used to account for the financial activity of the sewer activities.

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

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, 2015, 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, 2015

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, 2015

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.

Pensions Plan – For purposes of measuring net position liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements

New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 68

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

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement were considered but had no effect on the City for the current fiscal year.

Governmental Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement was adopted by the City in the current fiscal year.

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was adopted by the City in the current fiscal year.

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

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 74

On June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City's fiscal year ending June 30, 2017.

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

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, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 4,603,452
Fiduciary Funds:	
Cash and investments	1,535,944
Cash and investments with fiscal agent	<u>1,203,993</u>
Total cash and investments	<u>\$ 7,343,389</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 760
Deposits with financial institutions	5,231,901
Local Agency Investment Fund	906,735
Held by fiscal agent:	
Money Market Mutual Funds	<u>1,203,993</u>
Total cash and investments	<u>\$ 7,343,389</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, 2015

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, 2015, 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, 2015**

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, 2015 consist of the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Disposal Fund</u>	<u>Total</u>
Accounts receivable	\$ 396,654	\$ 213,121	\$ 166,021	\$ 775,796
Allowance for uncollectibles	<u>(115,521)</u>	<u>(75,472)</u>	<u>(76,121)</u>	<u>(267,114)</u>
Accounts receivable, net	<u>\$ 281,133</u>	<u>\$ 137,649</u>	<u>\$ 89,900</u>	<u>\$ 508,682</u>

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

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:

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.	\$ 18,309
--	-----------

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.	1,519,567
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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.	4,844,149
--	-----------

Notes receivable from various individuals to assist in the purchase of homes for low to moderate income earners. These notes are all deferred and payment is not due for approximately 30 years.	1,713,150
--	-----------

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.	667,343
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Notes receivable from Parlier City employees relating to employee benefit loans. Principal and interest of 3.0% per annum are payable in monthly installments.	99,092
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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.	29,917
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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.	<u>219,929</u>
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Total notes receivable	<u>\$ 9,111,456</u>
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**CITY OF PARLIER
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, 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.

	<u>Due From</u>	<u>Due to</u>
Major Funds:		
Water	\$ 1,487,040	\$ -
General Fund	-	914,596
Disposal Fund	-	79,709
Day Care	-	137,991
Nonmajor Funds:		
Community Development	-	354,744
 Total	 <u>\$ 1,487,040</u>	 <u>\$ 1,487,040</u>

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.

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Major Funds:		
General Fund	\$ 13,000	\$ 17,481
Community Development	17,481	18,533
Nonmajor funds		
Gas Tax	5,533	-
 Total	 <u>\$ 36,014</u>	 <u>\$ 36,014</u>

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

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,685,010	\$ 42,600	\$ -	\$ 1,727,610
Construction in progress	<u>236,862</u>	<u>150,410</u>	<u>-</u>	<u>387,272</u>
Total capital assets	<u>1,921,872</u>	<u>193,010</u>	<u>-</u>	<u>2,114,882</u>
Capital assets, being depreciated:				
Buildings and improvements	2,454,020	-	-	2,454,020
Infrastructure	1,998,545	-	-	1,998,545
Machinery and equipment	<u>946,926</u>	<u>114,698</u>	<u>-</u>	<u>1,061,624</u>
Total capital assets, being depreciated	<u>5,399,491</u>	<u>114,698</u>	<u>-</u>	<u>5,514,189</u>
Less accumulated depreciation for:				
Buildings and improvements	(944,640)	(70,544)	-	(1,015,184)
Infrastructure	(186,075)	(49,963)	-	(236,038)
Machinery and equipment	<u>(842,704)</u>	<u>(50,319)</u>	<u>-</u>	<u>(893,023)</u>
Total accumulated depreciation	<u>(1,973,419)</u>	<u>(170,826)</u>	<u>-</u>	<u>(2,144,245)</u>
Total capital assets, being depreciated, net	<u>3,426,072</u>	<u>(56,128)</u>	<u>-</u>	<u>3,369,944</u>
Governmental activities capital assets, net	<u>\$ 5,347,944</u>	<u>\$ 136,882</u>	<u>\$ -</u>	<u>\$ 5,484,826</u>
	Balance July 1, 2014 (Restated)	Additions	Retirements	Balance June 30, 2015
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,493,098	\$ 101,538	\$ -	\$ 2,594,636
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,493,098</u>	<u>101,538</u>	<u>-</u>	<u>2,594,636</u>
Capital assets, being depreciated:				
Plant and equipment	<u>10,597,653</u>	<u>65,588</u>	<u>-</u>	<u>10,663,241</u>
Total capital assets, being depreciated	<u>10,597,653</u>	<u>65,588</u>	<u>-</u>	<u>10,663,241</u>
Less: accumulated depreciation	<u>(5,952,239)</u>	<u>(306,364)</u>	<u>-</u>	<u>(6,258,603)</u>
Total capital assets, being depreciated, net	<u>4,645,414</u>	<u>(240,776)</u>	<u>-</u>	<u>4,404,638</u>
Business-type activities capital assets, net	<u>\$ 7,138,512</u>	<u>\$ (139,238)</u>	<u>\$ -</u>	<u>\$ 6,999,274</u>

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

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	57,873
Public works and development	30,105
Parks and recreation	<u>58,986</u>
Total	<u>\$ 170,826</u>
Business-Type Activities:	
Water	\$ 136,202
Sewer	<u>170,162</u>
Total	<u>\$ 306,364</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, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Business-Type Activities					
Bonds payable:					
1987 Parlier Sewer Revenue Bond	\$ 663,000	\$ -	\$ (34,000)	\$ 629,000	\$ 36,000
1994 Sewer Revenue Bond	1,125,000	-	(35,000)	1,090,000	40,000
Note payable:					
California Department of Water Resources	<u>174,851</u>	<u>-</u>	<u>(26,947)</u>	<u>147,904</u>	<u>27,775</u>
Total business-type activities	<u>\$ 1,962,851</u>	<u>\$ -</u>	<u>\$ (95,947)</u>	<u>\$ 1,866,904</u>	<u>\$ 103,775</u>
Compensated Absences					
Governmental activities	\$ 181,253	\$ 17,919	\$ (35,575)	\$ 163,597	\$ 49,079
Business-type activities	<u>84,318</u>	<u>18,346</u>	<u>(39,852)</u>	<u>62,812</u>	<u>18,844</u>
Total compensated absences	<u>\$ 265,571</u>	<u>\$ 36,265</u>	<u>\$ (75,427)</u>	<u>\$ 226,409</u>	<u>\$ 67,923</u>

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

NOTE 6 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2015 was comprised of the following individual issues:

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, 2015 are as follows:

Years Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 103,775	\$ 88,404	\$ 192,179
2017	105,654	83,701	189,355
2018	108,536	78,919	187,455
2019	116,453	73,877	190,330
2020	119,486	68,582	188,068
2020-2024	521,000	265,625	786,625
2025-2029	537,000	124,025	661,025
2030-2033	255,000	19,625	274,625
	\$ 1,866,904	\$ 802,758	\$ 2,669,662

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, 2015:

Governmental Funds:	
Housing Grants	\$ (29,051)
Day Care	\$ (108,233)
Non-major Governmental Funds:	
Community Development	\$ (333,167)
Enterprise Funds:	
Disposal	\$ (127,384)

The deficit net position in all funds are expected to be negated by future revenues and transfers from other funds.

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

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plans

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

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

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 -63	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426 to 2%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	20.728%	6.25%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	9.50%
Required employer contribution rates	17.889%	9.50%

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

NOTE 8 – PENSION PLAN (Continued)

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

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

	Miscellaneous	Safety
Contributions - employer	\$ 81,636	\$ 60,995
Contributions - employee (paid by employer)	-	16,708

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 979,686
Safety	622,844
 Total Net Pension Liability	 \$ 1,602,530

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

	Miscellaneous	Safety
Proportion - June 30, 2013	0.0362%	0.0162%
Proportion - June 30, 2014	0.0396%	0.0166%
Change - Increase (Decrease)	0.0034%	0.0004%

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

NOTE 8 – PENSION PLAN (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$255,768. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 256,565	\$ -
Differences between actual and expected experience	161,066	(8,337)
Changes in assumptions	-	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(99,630)
Net differences between projected and actual earnings on plan investments	-	(355,819)
Total	\$ 417,631	\$ (463,786)

\$256,565 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (84,345)
2017	(84,345)
2018	(77,229)
2019	(56,801)
2020	-
Thereafter	-

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

NOTE 8 – PENSION PLAN (Continued)

C. Actuarial Assumptions

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

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾	7.5% ⁽²⁾
	Derived using CalPERS' Membership Data	
Mortality	for all Funds ⁽³⁾	

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

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

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

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

D. Discount Rate

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

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

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

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

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

NOTE 8 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

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

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 1,510,147	\$ 994,853
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 979,686	\$ 622,844
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 539,453	\$ 316,323

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

NOTE 8 – PENSION PLAN (Continued)

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

At June 30, 2015, the City did not have a payable for an outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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.

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, 2015

NOTE 11 – UNCOLLECTIBLE LOAN RECEIVABLE

As of June 30, 2015 the City carried a note receivable in the amount of \$1,310,000 from Global Premier Development Inc. related to the construction of 20 low income apartment units. The note bears a five percent interest rate per year and repayment was deferred for five years. According to the note terms, payments were to commence in fiscal year 2013; however, as of June 30, 2015 no payments have been received by the City. Management has evaluated the collectability of the note and based on their unsuccessful efforts to collect payment, it was determined the likelihood to collect is very low and have therefore set an allowance for the full amount of the note.

NOTE 12 – CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position decreased as follows:

Government-Wide Financial Statements	
Governmental Activities	\$ (979,782)
Business-type Activities	<u>(669,700)</u>
Total Government-Wide Financial Statements	<u>\$ (1,649,482)</u>
Enterprise Fund Financial Statements	
Water Fund	\$ (160,544)
Sewer Fund	(454,578)
Disposal Fund	<u>(54,578)</u>
Total Enterprise Fund Financial Statements	<u>\$ (669,700)</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2015, the following prior period adjustments were recorded:

Government-wide Financial Statements	<u>Governmental Activities</u>
Understatement of housing loans receivable	\$ <u>1,706,750</u>
Total Government-wide Financial Statements	<u>\$ 1,706,750</u>
Governmental Fund Financial Statements	<u>General</u>
Understatement of intergovernmental receivables	\$ 108,366
Understatement of liabilities	<u>(405,000)</u>
Total prior period adjustments	<u>\$ (296,634)</u>
Enterprise Fund Financial Statements	<u>Water Fund</u>
Prior year understatement of intergovernmental receivable	\$ 179,068
Prior year understatement of account receivable	<u>186,684</u>
Total Enterprise funds	<u>\$ 365,752</u>

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

NOTE 14 – SUBSEQUENT EVENTS

On July 30, 2015, the Successor Agency to the Parlier Redevelopment Agency issued \$10,250,232 of 2015 Tax Allocation Refunding Bonds, the proceeds of which along with existing debt reserves were used to fully retire the 1998 Tax Allocation bonds outstanding principal of \$3,745,000, the refunded 2014 Tax Allocation bonds outstanding principal of \$4,680,000 and the Refunded 2008 Tax Allocation bonds outstanding principal of \$2,530,000. The new bonds bear interest at 3.4% per annum and the annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 175,222
2017	-	348,508
2018	340,087	348,508
2019	733,545	331,164
2020	809,582	305,316
2021-2015	4,604,139	1,076,385
2016-2030	2,479,281	409,400
2031-2034	1,283,598	88,736
Totals	<u>\$ 10,250,232</u>	<u>\$ 3,083,239</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,855,300	\$ 1,855,300	\$ 2,175,206	\$ 319,906
Intergovernmental	719,058	719,058	743,740	24,682
Charges for services	499,090	499,090	390,806	(108,284)
Licenses and permits	149,300	149,300	182,371	33,071
Fines and forfeitures	10,750	10,750	19,158	8,408
Interest and rent	50,000	50,000	56,649	6,649
Sale of equipment	-	-	3,045	3,045
Other	51,550	51,550	82,097	30,547
	<u>3,335,048</u>	<u>3,335,048</u>	<u>3,653,072</u>	<u>318,024</u>
EXPENDITURES				
Current:				
General government	398,379	398,379	490,727	(92,348)
Public safety	1,990,175	1,990,175	2,509,196	(519,021)
Public works	118,304	118,304	137,003	(18,699)
Community development	213,340	213,340	430,326	(216,986)
Parks and recreation	145,980	145,980	249,934	(103,954)
Capital outlay	258,260	258,260	126,821	131,439
	<u>3,124,438</u>	<u>3,124,438</u>	<u>3,944,007</u>	<u>(819,569)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>210,610</u>	<u>210,610</u>	<u>(290,935)</u>	<u>(501,545)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,500	12,500	13,000	500
Transfers out	-	-	(17,481)	(17,481)
	<u>12,500</u>	<u>12,500</u>	<u>(4,481)</u>	<u>(16,981)</u>
Net change in fund balance	<u>\$ 223,110</u>	<u>\$ 223,110</u>	(295,416)	<u>\$ (518,526)</u>
Fund balance - beginning (restated)			<u>341,132</u>	
Fund balance - ending			<u>\$ 45,716</u>	

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
HOUSING GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 399,450	\$ 399,450	\$ 3,843,754	\$ 3,444,304
Charges for services	-	-	119,782	119,782
Other	-	-	28,271	28,271
	<u>399,450</u>	<u>399,450</u>	<u>3,991,807</u>	<u>3,592,357</u>
EXPENDITURES				
Current:				
Community development	<u>399,450</u>	<u>399,450</u>	<u>3,930,332</u>	<u>(3,530,882)</u>
	<u>399,450</u>	<u>399,450</u>	<u>3,930,332</u>	<u>(3,530,882)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>61,475</u>	<u>61,475</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>61,475</u>	<u>\$ 61,475</u>
Fund balance - beginning			<u>(90,526)</u>	
Fund balance - ending			<u>\$ (29,051)</u>	

**CITY OF PARLIER
BUDGETARY COMPARISON SCHEDULE
DAY CARE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 730,500	\$ 730,500	\$ 763,637	\$ 33,137
Charges for services	<u>38,000</u>	<u>38,000</u>	<u>36,425</u>	<u>(1,575)</u>
Total revenues	<u>768,500</u>	<u>768,500</u>	<u>800,062</u>	<u>31,562</u>
EXPENDITURES				
Current:				
Day care	768,500	768,500	802,930	(34,430)
Capital outlay	<u>-</u>	<u>-</u>	<u>6,431</u>	<u>(6,431)</u>
Total expenditures	<u>768,500</u>	<u>768,500</u>	<u>809,361</u>	<u>(40,861)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(9,299)	<u>\$ (9,299)</u>
Fund balance - beginning			<u>(98,934)</u>	
Fund balance - ending			<u>\$ (108,233)</u>	

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

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, 2015, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Budget	Actual	Variance
<i>General Fund</i>			
General government	\$ 398,379	\$ 490,727	\$ (92,348)
Public safety	1,990,175	2,509,196	(519,021)
Public works	118,304	137,003	(18,699)
Community development	213,340	430,326	(216,986)
Parks and recreation	145,980	249,934	(103,954)
<i>Housing Grants Special Revenue Fund</i>			
Community development	399,450	3,930,332	(3,530,882)
<i>Day Care Special Revenue Fund</i>			
Day care	768,500	802,930	(34,430)
Capital outlay	-	6,431	(6,431)

**CITY OF PARLIER
 PROPORTIONATE SHARE OF NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2015
 LAST 10 YEARS***

	2015	
	Miscellaneous	Safety
Proportion of the net pension liability	0.0396%	0.0166%
Proportionate share of the net pension liability	\$ 979,686	\$ 622,844
Covered - employee payroll	\$ 852,123	\$ 855,156
Proportionate share of the net pension liability as percentage of covered-employee payroll	114.97%	72.83%
Plan's fiduciary net position	\$ 3,018,889	\$ 2,154,435
Plan fiduciary net position as a percentage of the total pension liability	75.50%	77.57%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - None

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

**CITY OF PARLIER
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS***

	2015	
	Miscellaneous	Safety
Actuarily required contribution (actuarially determined)	\$ 143,039	\$ 119,509
Contributions in relation to the actuarially determined contributions	143,039	119,509
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 852,123	 \$ 855,156
Contributions as a percentage of covered-employee payroll	16.79%	13.98%

Notes to Schedule

	Miscellaneous	Safety
Valuation date:	June 30, 2013	
Methods and assumptions used to determine contributions rates:		
Actuarial Cost Method	Entry Age Normal	
Amortization Period	Level percent of payroll, closed	
Remaining Amortization Period	15 years	15 Years
Asset Valuation Method	5 year smoothed market	
Inflation	2.75%	2.75%
Salary Increase	3.30% to 14.20% depending on age and service	
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.5%, net of pension plan investment and administrative expenses; includes inflation	
Retirement Age	62	57
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB	

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

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SUPPLEMENTARY INFORMATION

**CITY OF PARLIER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Community Development	Development Impact Fees	
ASSETS							
Cash and investments	\$ 1,163,365	\$ 900,912	\$ 87,777	\$ 1,395,877	\$ (0)	\$ 113,517	\$ 3,661,448
Due from other governments	28,846	-	-	37,696	372,542	-	439,084
Interest receivable	100	71	7	120	-	-	298
Notes receivable, net	-	-	-	-	48,226	-	48,226
Total assets	<u>\$ 1,192,311</u>	<u>\$ 900,983</u>	<u>\$ 87,784</u>	<u>\$ 1,433,693</u>	<u>\$ 420,768</u>	<u>\$ 113,517</u>	<u>\$ 4,149,056</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 2,677	\$ 32,657	\$ 1,676	\$ 1,855	\$ 28,171	\$ -	\$ 67,036
Due to other funds	-	-	-	-	354,744	-	354,744
Total liabilities	<u>2,677</u>	<u>32,657</u>	<u>1,676</u>	<u>1,855</u>	<u>382,915</u>	<u>-</u>	<u>421,780</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	-	-	371,020	-	371,020
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,020</u>	<u>-</u>	<u>371,020</u>
FUND BALANCES (DEFICITS)							
Nonspendable:							
Notes Receivable	-	-	-	-	48,226	-	48,226
Restricted:							
Public works	1,189,634	868,326	86,108	1,431,838	-	113,517	3,689,423
Unassigned	-	-	-	-	(381,393)	-	(381,393)
Total fund balances (deficits)	<u>1,189,634</u>	<u>868,326</u>	<u>86,108</u>	<u>1,431,838</u>	<u>(333,167)</u>	<u>113,517</u>	<u>3,356,256</u>
Total liabilities and fund balances	<u>\$ 1,192,311</u>	<u>\$ 900,983</u>	<u>\$ 87,784</u>	<u>\$ 1,433,693</u>	<u>\$ 420,768</u>	<u>\$ 113,517</u>	<u>\$ 4,149,056</u>

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Community Development	Development Impact Fees	
REVENUES							
Taxes	\$ -	\$ -	\$ 47,536	\$ -	\$ -	\$ -	\$ 47,536
Intergovernmental	377,468	375,388	-	563,523	393,121	-	1,709,500
Licenses, permits and impact fees	-	-	-	-	-	30,468	30,468
Interest and rent	368	262	27	441	-	-	1,098
Other	-	-	-	-	555	-	555
Total revenues	<u>377,836</u>	<u>375,650</u>	<u>47,563</u>	<u>563,964</u>	<u>393,676</u>	<u>30,468</u>	<u>1,789,157</u>
EXPENDITURES							
Public works	104,950	271,873	41,169	93,506	55,274	-	566,772
Community development	-	-	-	-	179,876	-	179,876
Capital outlay	92,680	203,412	-	292,515	-	-	588,607
Total expenditures	<u>197,630</u>	<u>475,285</u>	<u>41,169</u>	<u>386,021</u>	<u>235,150</u>	<u>-</u>	<u>1,335,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>180,206</u>	<u>(99,635)</u>	<u>6,394</u>	<u>177,943</u>	<u>158,526</u>	<u>30,468</u>	<u>453,902</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	5,533	-	-	17,481	-	23,014
Transfers out	-	-	-	-	(18,533)	-	(18,533)
Total other financing sources (uses)	<u>-</u>	<u>5,533</u>	<u>-</u>	<u>-</u>	<u>(1,052)</u>	<u>-</u>	<u>4,481</u>
Net change in fund balances	180,206	(94,102)	6,394	177,943	157,474	30,468	458,383
Fund balances - beginning	<u>1,009,428</u>	<u>962,428</u>	<u>79,714</u>	<u>1,253,895</u>	<u>(490,641)</u>	<u>83,049</u>	<u>2,897,873</u>
Fund balances - ending	<u>\$ 1,189,634</u>	<u>\$ 868,326</u>	<u>\$ 86,108</u>	<u>\$ 1,431,838</u>	<u>\$ (333,167)</u>	<u>\$ 113,517</u>	<u>\$ 3,356,256</u>

**CITY OF PARLIER
DAY CARE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program
	CSPP-4061
REVENUES AND SUPPORT	
State apportionments - Child Development Program	\$ 763,637
Parent fees - certified	36,425
Total revenues and support	800,062
EXPENSES	
Certified salaries:	
Teachers' salaries	192,049
Classified salaries:	
Instructional aides' salaries	234,716
Other salaries	17,783
Employee benefits	110,453
Instructional supplies	26,804
Other supplies and groceries	76,608
Travel and conferences	4,481
Utilities and housekeeping	23,884
Rents	22,616
Other operating expenditures	93,534
Equipment	6,431
Total expenses	809,359
Net change in fund balances	(9,297)
Fund balances - beginning	(98,934)
Fund balances - ending	\$ (108,231)

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF EXPENDITURES OF BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2015**

Expenditures		<u>Preschool Program CSPP-4061</u>
1000	Certified Personnel Salaries	\$ 192,049
2000	Classified Personnel Salaries	252,499
3000	Employee Benefits	110,453
4000	Books and Supplies	103,412
5000	Services and Other Operating Expenses	144,517
6400	New Equipment	<u>6,431</u>
Total expenditures claimed for reimbursement		<u><u>\$ 809,361</u></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, 2015**

Expenses	<u>CSP-4061</u>
Schedule of Expenditures by State Category (CDE)	\$ 809,361
Adjustments to Reconcile Difference in Reporting: None	<u>-</u>
Combining Statement of Activities	<u>\$ 809,361</u>

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF EQUIPMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Preschool Program CSPP-4061</u>
Unit Cost Under \$7,500 Per Item	
Refrigerator	\$ 2,411
Dishwasher	4,020
Other Miscellaneous	<u>-</u>
Subtotal	<u>6,431</u>
Unit Cost \$7,500 or More Per Item With Prior Written Approval	
None	<u>-</u>
Subtotal	<u>-</u>
Unit Cost \$7,500 or More Per Item Without Prior Approval	
None	<u>-</u>
Subtotal	<u>-</u>
Total	<u><u>\$ 6,431</u></u>

**CITY OF PARLIER
DAY CARE CENTER
COMBINING SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Preschool Program CSPP-4061</u>
Expenditures Under \$10,000 Unit Cost	
None	\$ <u> -</u>
Total	<u> -</u>
Expenditures Over \$10,000 Unit Cost With CDD Approval	
None	<u> -</u>
Total	<u> -</u>
Expenditures Over \$10,000 Unit Cost Without CDD Approval	
None	<u> -</u>
Total	<u> -</u>
Total Renovation and Repair Expenditures	<u>\$ <u> -</u></u>

**CITY OF PARLIER
DAY CARE CENTER
SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Reimbursable Administrative Costs	<u>CSP-4061</u>
Salaries	\$ 28,860
Employee Benefits	847
Services and Other Operating Expense	<u>83,537</u>
Total	<u>\$ 113,244</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, 2015 Contract No. CSPP-4061

Independent Auditor's Name: Price, Paige & Company

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	5,682		5,682	1.0000	5,682.000
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	15,833		15,833	1.1000	17,416.300
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	21,515	-	21,515		23,098.300
DAYS OF OPERATION	248		248		
DAYS OF ATTENDANCE	21,515		21,515		

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

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

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

Agency Name: City of Parlier Vendor No. 10 2190

Fiscal Year End: June 30, 2015 Contract No. CSPP-4061

	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
County Maintenance of Effort (EC § 8279)			0
Other (Specify): Fundraising	0	1,500	1,500
Other (Specify):			0
Subtotal	\$0	\$1,500	\$1,500
Transfer from Reserve			0
Family Fees for Certified Children	36,425		36,425
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	\$36,425	\$1,500	\$37,925

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$180,972	\$11,077	\$192,049
2000 Classified Salaries	245,793	6,706	252,499
3000 Employee Benefits	106,672	3,781	110,453
4000 Books and Supplies	26,804	76,608	103,412
5000 Services and Other Operating Expenses	249,169	(104,654)	144,515
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (<i>program-related</i>)		6,431	6,431
6500 Replacement Equipment (<i>program-related</i>)			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	\$809,410	(\$51)	\$809,359
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$112,091	\$1,153	\$113,244

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:

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

AUD 8501, Page 3 of 4 (FY 2014-15) California Department of Education

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of Parlier

Fiscal Year End: June 30, 2015

Vendor No. 10 2190

Independent Auditor's Name: Price, Paige & Company

RESERVE ACCOUNT TYPE (Check One):

- Center Based
 Resource and Referral
 Alternative Payment

COLUMN A	COLUMN B	COLUMN C
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)	\$0		\$0
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.			\$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)			\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$0	\$0	\$0

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
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.			\$0
Contract No.			0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
7. Ending Balance on June 30, 2015 (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:

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, 2015**

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 Award:			
Community Development Block Grant	14.228	12-CDBG-8406	\$ <u>2,060</u> <u>2,060</u>
Passed through the California Department of Housing and Community Development:			
Home Investment Partnership Program	14.239	14-HOME-9275	2,609,731
Home Investment Partnership Program	14.239	11-HOME-7656	<u>200,901</u> <u>2,810,632</u>
Total U.S. Department of Housing and Urban Development			<u>2,812,692</u>
<u>U.S. Department of Justice</u>			
Passed through the California Department of Justice:			
Community Policing Grant	16.710	2013-UM-WX-0015	<u>94,754</u> <u>94,754</u>
Direct award:			
Bullet Proof Vest Program	16.607	N/A	812
Edward Byrne Memorial Justice Assistance Grant	16.804	2012-DJ-BX-0983	<u>3,593</u> <u>4,405</u>
Total U.S. Department of Justice			<u>99,159</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>3,355</u>
Passed through the California Department of Transportation:			
Regional Surface Transportation Program	20.205	RSTP-5252(022)	1,413
Congestion Mitigation and Air Quality Agreement	20.205	CML-5252(016)	21,580
Congestion Mitigation and Air Quality Agreement	20.205	CML-5252(021)	<u>24,169</u> <u>47,162</u>
Total U.S. Department of Transportation			<u>50,517</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the California Department of Education:			
Child Development Programs 13609-2198	93.596	CSPP-3061	125,750
Child Development Programs 15136-2190	93.575	CSPP-3061	<u>69,184</u>
Total U.S. Department of Health and Human Services			<u>194,934</u>
Total Federal Expenditures			<u>\$ 3,157,302</u>

**CITY OF PARLIER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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	\$ 347,027
Child Development Programs 23254-2190		CSPP-3061	230,975
Program Income		CSPP-3061	<u>36,425</u>
Total California Department of Education			<u>614,427</u>
Total State Expenditures			<u>614,427</u>
Total Federal and State Expenditures			<u>\$ 3,771,729</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Parlier (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, and 2015-004.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 result 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 14, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Parlier's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is 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 the City's major federal program 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 the 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 did not comply with requirements regarding CFDA 14.239 Home Investment Partnership Program as described in finding number 2015-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the 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 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, 2015.

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Clovis, CA 93612

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Other Matters

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

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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 item 2015-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

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

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 14, 2015

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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

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

Noncompliance material to financial
 statements noted? _____ yes X no

Federal Awards

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

Significant deficiencies identified that are not
 considered to be material weaknesses? X yes _____ 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

<u>CFDA Number</u> 14.239	<u>Name of Federal Program or Cluster</u> 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 <u> X </u> no

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2015-001 – Internal Controls Over Accounts Payable (Significant Deficiency)

Condition: We have determined that processes utilized for closing and reporting of accounts payable for the fiscal year ended June 30, 2015 were not effective. The City did not fully accumulate and record invoices received prior to the year that were paid subsequent to the year-end. Accordingly, material audit adjustments were required to fully record accounts payable and current year expenditures.

Criteria: An effective internal control system for accumulating all accounts payable at year-end provides reasonable assurance of the reliability of the completeness of the financial records.

Effect: The City's lack of effective internal controls related to the accumulation of accounts payable resulted in an understatement of accounts payable and related expenditures of \$236,608.

Recommendation: We recommend that the City design and implement controls that provide reasonable assurance that all invoices received prior to year-end that are paid subsequent to year end are captured in the financial records in the appropriate fiscal year.

Response: The City agrees with the finding and the recommended procedures will be implemented.

SECTION III – FEDERAL AWARDS FINDINGS

2015-002 – 14.239 Home Investment Partnership Program – Cash Management (Significant Deficiency)

Condition: The City requested numerous grant reimbursements from the Department of Community Development with funds originating from the U.S. Department of Housing Urban Development for the Home Investment Partnership Program prior to payment of the expenditures with City funds.

Criteria: Per OMB Circular A-133, Compliance Supplement, "when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government".

Cause: There was a lack of understanding of the federal laws and regulations related to this requirement.

Questioned Costs: \$0

Effect: The City is not in compliance federal cash management requirements.

Recommendation: We recommend that they City establish controls in place to ensure that reimbursement requests are not submitted prior to actual payment disbursement to vendors in accordance with OMB Circular A-133.

Response: The City agrees with the finding and the recommended procedures will be implemented.

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

SECTION III – FEDERAL AWARDS FINDINGS (Continued)

2015-003 – 14.239 Home Investment Partnership Program – Reporting (Material Weakness)

Condition: The City prepared and filed quarterly and annual performance reports and State HOME Project Monthly Status Reports for its Home Investment Partnership Program 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, 2015 were not accurate because they did not contain necessary information to reconcile with the expenditures recorded in the City's general ledger.

Criteria: Federal and state audit guidelines for Home Investment Partnership Program 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

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-2015-004 – 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.

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

SECTION IV – STATE PRESCHOOL FINDINGS (Continued)

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, 2015**

Prior Audit Findings

Finding 2014-001 – Implemented

Finding 2014-002 – Implemented

Finding 2014-003 – Not Implemented – See current year finding 2015-003

Finding 2014-004 – Implemented

Finding 2014-005 – Not Implemented – See current year finding 2015-004