

**CITY OF PARLIER**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 2012**

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

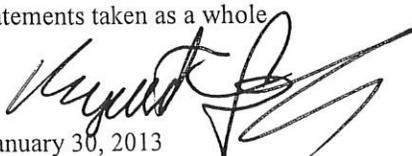
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2012, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements. The Budgetary Comparison Information on pages 34 through 38 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Parlier's basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole



January 30, 2013

# CITY OF PARLIER

## STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,518,781	\$ 234,484	\$ 2,753,265
Accounts receivable	43,239	430,844	474,083
Due from other governments	1,347,049		1,347,049
Internal balances	(1,215,694)	1,215,694	-
Interest receivable	1,540	357	1,897
Notes receivable	4,031,569	-	4,031,569
Capital assets (net of allowance for depreciation)	5,027,800	7,870,870	12,898,670
Total assets	<u>11,754,284</u>	<u>9,752,249</u>	<u>21,506,533</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	550,000	459,171	1,009,171
Accrued interest	-	35,730	35,730
Deposits	10,404	84,955	95,359
Deferred revenue	2,599,580	-	2,599,580
Compensated absences	313,153	146,687	459,840
Long-term liabilities			
Due within one year	-	125,362	125,362
Due in more than one year	-	2,179,987	2,179,987
Total liabilities	<u>3,473,137</u>	<u>3,031,892</u>	<u>6,505,029</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,027,800	5,565,521	10,593,321
Restricted for debt service	-	192,300	192,300
Restricted for capital projects	388,263	-	388,263
Restricted for specific projects and programs	2,393,331	-	2,393,331
Unrestricted	471,753	962,536	1,434,289
Total net assets/(deficit)	<u>\$ 8,281,147</u>	<u>\$ 6,720,357</u>	<u>\$ 15,001,504</u>

See accompanying notes.

**CITY OF PARLIER**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Net Revenue/(Expense) and Changes in Net Assets						
	Program Revenue			Primary Government			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 572,474	\$ 5,705	\$ 7,251	\$ -	\$ (559,518)	\$ -	\$ (559,518)
Public safety	2,624,727	124,687	360,860	-	(2,139,180)	-	(2,139,180)
Public works	755,947	-	1,131,708	-	375,761	-	375,761
Community development	5,483,674	142,506	1,598,872	3,925,037	182,741	-	182,741
Parks and recreation	381,566	6,112	-	10,023	(365,431)	-	(365,431)
Day care	800,721	26,363	725,402	-	(48,956)	-	(48,956)
Tax pass-through	18,292	-	-	-	(18,292)	-	(18,292)
Debt service	378,395	-	-	-	(378,395)	-	(378,395)
Interest and other charges	11,015,796	305,373	3,824,093	3,935,060	(2,951,270)	-	(2,951,270)
Total governmental activities							
Business-type activities							
Water	1,353,140	1,568,073	-	291,377	-	506,310	506,310
Sewer	1,114,194	1,212,595	-	111,463	-	209,864	209,864
Disposal	1,094,176	1,064,612	-	-	-	(29,564)	(29,564)
Total business-type activities	3,561,510	3,845,280	-	402,840	-	686,610	686,610
<b>Total primary government</b>	<b>\$ 14,577,306</b>	<b>\$ 4,150,653</b>	<b>\$ 3,824,093</b>	<b>\$ 4,337,900</b>	<b>(2,951,270)</b>	<b>686,610</b>	<b>(2,264,660)</b>
<b>General Revenue</b>							
Property taxes					221,725	-	221,725
Motor vehicle taxes					1,033,459	-	1,033,459
Sales taxes					269,389	-	269,389
Franchise taxes					224,495	-	224,495
Business licenses					56,771	-	56,771
Interest and rent					132,495	-	132,495
Other					94,686	-	94,686
Transfers					161,000	(161,000)	-
Total general revenue and transfers					2,194,020	(161,000)	2,033,020
<b>Extraordinary Gain</b>					9,732,270	-	9,732,270
<b>Change in Net Assets</b>					8,975,020	525,610	9,500,630
<b>Net Assets</b>							
Beginning of year					(693,873)	6,194,747	5,500,874
End of year					\$ 8,281,147	\$ 6,720,357	\$ 15,001,504

# CITY OF PARLIER

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2012

	General	Local		Housing Grant	Community Development	Other		Total
		Gas Tax	Transportation			Governmental Funds	Governmental Funds	
<b>ASSETS</b>								
Cash and investments	\$ -	\$ 788,493	\$ 823,850	\$ -	\$ -	\$ 906,438	\$ 2,518,781	
Accounts receivable	-	-	-	-	-	43,239	43,239	
Due from other governments	223,234	42,451	47,772	16,211	961,062	56,319	1,347,049	
Interest receivable	13	798	277	-	-	452	1,540	
Notes receivable	1,379,954	-	-	1,279,751	61,864	1,310,000	4,031,569	
Total assets	\$ 1,603,201	\$ 831,742	\$ 871,899	\$ 1,295,962	\$ 1,022,926	\$ 2,316,448	\$ 7,942,178	
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable and accrued expense	\$ 74,055	\$ 4,726	\$ 42,774	\$ 11,743	\$ 369,615	\$ 47,087	\$ 550,000	
Deposits	10,404	-	-	-	-	-	10,404	
Deferred revenue	105,880	-	-	1,279,751	4,900	1,314,929	2,705,460	
Due to other funds	773,112	-	-	27,056	371,086	44,440	1,215,694	
Total liabilities	963,451	4,726	42,774	1,318,550	745,601	1,406,456	4,481,558	
<b>Fund Balance</b>								
Nonspendable	1,379,954	-	-	-	61,864	-	1,441,818	
Notes receivable	-	-	-	-	-	-	-	
Restricted	-	827,016	829,125	-	215,461	662,013	2,318,154	
Capital improvement projects	-	-	-	-	-	172,802	388,263	
Lighting, landscape & park maintenance	-	-	-	-	-	75,177	75,177	
Unassigned	(740,204)	-	-	(22,588)	-	-	(762,792)	
Total fund balance	639,750	827,016	829,125	(22,588)	277,325	909,992	3,460,620	
Total liabilities and fund balance	\$ 1,603,201	\$ 831,742	\$ 871,899	\$ 1,295,962	\$ 1,022,926	\$ 2,316,448	\$ 7,942,178	

**CITY OF PARLIER**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

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Total governmental fund balances	\$ 3,460,620
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	5,027,800
Certain revenues are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	105,880
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(313,153)</u>
Net assets of governmental activities	<u>\$ 8,281,147</u>

# CITY OF PARRIER

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2012

	General	Gas Tax	Local Transportation	Housing Grant	Community Development	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>							
Taxes	\$ 1,781,114	\$ -	\$ -	\$ -	\$ -	\$ 24,725	\$ 1,805,839
Intergovernmental	378,134	406,201	386,685	1,598,872	3,838,545	1,064,224	7,672,661
Charges for services	164,343	-	-	-	-	26,363	190,706
Licenses, permits and impact fees	62,974	-	-	-	-	86,492	149,466
Fines and forfeitures	51,693	-	-	-	-	-	51,693
Interest and rent	131,547	798	-	-	-	150	132,495
Other	93,922	-	-	-	-	764	94,686
Total revenue	<u>2,663,727</u>	<u>406,999</u>	<u>386,685</u>	<u>1,598,872</u>	<u>3,838,545</u>	<u>1,202,718</u>	<u>10,097,546</u>
<b>Expenditures</b>							
Current							
General government	379,247	-	-	-	-	-	379,247
Public safety	2,569,927	-	-	-	-	-	2,569,927
Public works	110,626	136,345	231,366	-	-	249,760	728,097
Community development	222,374	-	-	1,907,904	3,076,176	277,220	5,483,674
Parks and recreation	350,708	-	-	-	-	751,765	800,721
Day care	48,956	-	-	-	-	18,292	18,292
Tax pass-through	-	-	-	-	1,239,126	12,918	1,345,781
Capital outlay	49,237	44,500	-	-	-	-	93,737
Debt Service	-	-	-	-	-	355,000	355,000
Principal	-	-	-	-	-	330,761	330,761
Interest and other charges	-	-	-	-	-	1,995,716	1,995,716
Total expenditures	<u>3,731,075</u>	<u>180,845</u>	<u>231,366</u>	<u>1,907,904</u>	<u>4,315,302</u>	<u>1,995,716</u>	<u>12,362,208</u>
Revenue over/(under) expenditures	(1,067,348)	226,154	155,319	(309,032)	(476,757)	(792,998)	(2,264,662)
<b>Other Financing Sources/(Uses)</b>							
Transfers in/(out) - net	1,278,697	-	(86,109)	286,444	119,082	(1,437,114)	161,000
Extraordinary Loss	-	-	-	-	-	(3,315,997)	(3,315,997)
Change in Fund Balance	211,349	226,154	69,210	(22,588)	(357,675)	(5,546,109)	(5,419,659)
<b>Fund Balance</b>							
Beginning of year	428,401	600,862	759,915	-	635,000	6,456,101	8,880,279
End of year	<u>\$ 639,750</u>	<u>\$ 827,016</u>	<u>\$ 829,125</u>	<u>\$ (22,588)</u>	<u>\$ 277,325</u>	<u>\$ 909,992</u>	<u>\$ 3,460,620</u>

## CITY OF PARLIER

### RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

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Net change in fund balance - total governmental funds \$ (5,419,659)

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

In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds interest expenditure is reported when due	275,633
Difference between reported extraordinary loss on the governmental financial statements and the extraordinary gain reported on the government-wide financial statements	12,725,000
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets	355,000
Amortization of deferred debt costs in the statement of net assets do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(162,838)
Compensated absence 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	(2,777)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Assets the cost of those assets are capitalized as an asset and depreciated over the period of service	1,345,781
Depreciation expense 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	<u>(141,120)</u>
Change in net assets of governmental activities	<u>\$ 8,975,020</u>

**CITY OF PARLIER**

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**

**JUNE 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total Business-Type Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 22,267	\$ 23,998	\$ 188,219	\$ 234,484
Accounts receivable	205,631	117,330	107,883	430,844
Due from other funds	1,144,198	-	71,496	1,215,694
Interest receivable	341	-	16	357
Total current assets	<u>1,372,437</u>	<u>141,328</u>	<u>367,614</u>	<u>1,881,379</u>
<b>Non-current assets</b>				
Property, plant and equipment (net of allowance for depreciation)	2,198,856	5,672,014	-	7,870,870
Total noncurrent assets	<u>2,198,856</u>	<u>5,672,014</u>	<u>-</u>	<u>7,870,870</u>
Total assets	<u>3,571,293</u>	<u>5,813,342</u>	<u>367,614</u>	<u>9,752,249</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expense	21,884	37,504	399,783	459,171
Accrued interest	2,652	33,078	-	35,730
Deposits	84,955	-	-	84,955
Compensated absences	71,440	71,440	3,807	146,687
Current portion of long-term debt	59,362	66,000	-	125,362
Total current liabilities	<u>240,293</u>	<u>208,022</u>	<u>403,590</u>	<u>851,905</u>
<b>Noncurrent Liabilities</b>				
Long-term debt	324,987	1,855,000	-	2,179,987
Total liabilities	<u>565,280</u>	<u>2,063,022</u>	<u>403,590</u>	<u>3,031,892</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,814,507	3,751,014	-	5,565,521
Restricted for debt service	31,300	161,000	-	192,300
Unrestricted/(deficit)	1,160,206	(161,694)	(35,976)	962,536
Total net assets	<u>\$ 3,006,013</u>	<u>\$ 3,750,320</u>	<u>\$ (35,976)</u>	<u>\$ 6,720,357</u>

**CITY OF PARLIER**

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET ASSETS –  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Total Business-Type Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Disposal</b>	
<b>Operating Revenue</b>				
Charges for services	\$ 1,536,262	\$ 1,163,657	\$ 1,064,612	\$ 3,764,531
Connection fees	31,811	48,938	-	80,749
Total operating revenue	<u>1,568,073</u>	<u>1,212,595</u>	<u>1,064,612</u>	<u>3,845,280</u>
<b>Operating Expense</b>				
Contractual services and utilities	274,285	383,762	1,043,531	1,701,578
Personnel	450,280	408,928	45,397	904,605
Supplies and materials	469,142	50,438	5,248	524,828
Depreciation	126,158	174,650	-	300,808
Total operating expense	<u>1,319,865</u>	<u>1,017,778</u>	<u>1,094,176</u>	<u>3,431,819</u>
Operating income/(loss)	<u>248,208</u>	<u>194,817</u>	<u>(29,564)</u>	<u>413,461</u>
<b>Nonoperating Revenue/(Expense)</b>				
Intergovernmental	165,780	-	-	165,780
Development impact fees	125,597	111,463	-	237,060
Interest income	-	-	-	-
Interest expense	(33,275)	(96,416)	-	(129,691)
Total nonoperating revenue/(expense)	<u>258,102</u>	<u>15,047</u>	<u>-</u>	<u>273,149</u>
Net income/(loss) before transfers	506,310	209,864	(29,564)	686,610
<b>Operating Transfers In/(Out), net</b>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(21,000)</u>	<u>(161,000)</u>
<b>Change in Net Assets</b>	<u>436,310</u>	<u>139,864</u>	<u>(50,564)</u>	<u>525,610</u>
<b>Net Assets</b>				
Beginning of year	2,569,703	3,610,456	14,588	6,194,747
End of year	<u>\$ 3,006,013</u>	<u>\$ 3,750,320</u>	<u>\$ (35,976)</u>	<u>\$ 6,720,357</u>

# CITY OF PARIER

## STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Total Business- Type Funds
	Water	Sewer	Disposal	
<b>Operating Activities</b>				
Receipts from customers and users	\$ 1,544,981	\$ 1,196,953	\$ 1,058,851	\$ 3,800,785
Payments for contractual services and utilities	(325,158)	(384,471)	(804,767)	(1,514,396)
Payments to employees	(440,199)	(398,847)	(46,311)	(885,357)
Payments to suppliers	(469,143)	(50,438)	(5,248)	(524,829)
Net cash provided by (used in) operating activities	<u>310,481</u>	<u>363,197</u>	<u>202,525</u>	<u>876,203</u>
<b>Non-capital Financial Activities</b>				
Payments from other governments	1,065,380	-	-	1,065,380
Payments from developers	125,597	111,463	-	237,060
Payments received from (paid to) other funds	(1,214,198)	(70,000)	(92,496)	(1,376,694)
Net cash provided by (used in) noncapital financing activities	<u>(23,221)</u>	<u>41,463</u>	<u>(92,496)</u>	<u>(74,254)</u>
<b>Capital and Related Financing Activities</b>				
Purchase of property, plant and equipment	(217,376)	-	-	(217,376)
Principal paid on long-term debt	(57,553)	(59,000)	-	(116,553)
Interest paid on long-term debt	(33,857)	(97,525)	-	(131,382)
Net cash provided by (used in) capital and related financing activities	<u>(308,786)</u>	<u>(156,525)</u>	<u>-</u>	<u>(465,311)</u>
<b>Investing Activities</b>				
Interest received	-	-	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(21,526)</u>	<u>248,135</u>	<u>110,029</u>	<u>336,638</u>
<b>Cash</b>				
Beginning of year	43,793	(224,137)	78,190	(102,154)
End of year	<u>\$ 22,267</u>	<u>\$ 23,998</u>	<u>\$ 188,219</u>	<u>\$ 234,484</u>
<b>Cash Flows from Operating Activities</b>				
Operating income (loss)	\$ 248,208	\$ 194,817	\$ (29,564)	\$ 413,461
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	126,157	174,650	-	300,807
(Increase) Decrease in Accounts Receivable	(27,926)	(15,642)	(5,761)	(49,329)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(35,958)	9,372	237,850	211,264
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 310,481</u>	<u>\$ 363,197</u>	<u>\$ 202,525</u>	<u>\$ 876,203</u>

See accompanying notes.

# CITY OF PARLIER

## STATEMENT OF FIDUCIARY NET ASSETS PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2012

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### Assets

Cash and investments	
Cash and investments	\$ 346,341
Cash and investments with fiscal agent	1,146,286
Taxes Receivable	727,286
Notes receivable	163,409
Land held for resale	<u>2,058,001</u>
Total assets	<u>4,441,323</u>

### Liabilities

Accounts payable and accrued liabilities	157,536
Interest payable	269,389
Long-term debt	
Due within one year	365,000
Due in more than one year	<u>12,360,000</u>
Total liabilities	<u>13,151,925</u>

### Net Assets

Held in trust for other governments	<u>\$ (8,710,602)</u>
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# CITY OF PARLIER

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2012

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### Additions

Property taxes	\$ 1,505,365
Investment earnings and other	25,888
Total additions	<u>1,531,253</u>

### Deductions

Administrative costs	88,840
Program expenses	151,346
Interest and fiscal agency expenses of former redevelopment agency	<u>269,399</u>
Total deductions	<u>509,585</u>

Extraordinary loss (9,732,270)

Change In Net Assets (8,710,602)

### Net Assets

Beginning of year	<u>-</u>
End of year	<u>\$ (8,710,602)</u>

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Parlier (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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 is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

#### Reporting Entity

The City of Parlier, State of California (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.

Included in this report is the Parlier Redevelopment Agency (the Agency). The Agency was established in 1985 to administer the City's redevelopment activities and projects. Members of the City Council automatically sit as the Agency Board, the City Manager is appointed as Executive Director with the City staff providing all support services. All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

#### Basis of Presentation – Fund Accounting

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Assets 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.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. 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.

**Governmental Fund Financial Statements** - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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.

*Gas Tax Fund* – The funds are used to account for receipts and expenditures of monies apportioned to the City under the Streets and Highways Code Section 2105, 2106, 2107 and 2107.5 of the State of California.

*Local Transportation Fund* – This fund accounts for funds received for the Traffic Congestion Relief Act of 2000 approved by Assembly Bill 2928. The purpose of this fund is to relieve traffic congestion, provide additional transportation and capacity in high growth areas of the state.

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

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

The City reports the following additional fund types:

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

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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 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 tax 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 receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to 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.

For its government-wide activities and Enterprise Funds, the City has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 non-operating.

#### **Financial Statement Amounts**

*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.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Investments of 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 but 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, 2012, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

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 tax 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 XIII A 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 receivable/payable 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 non-current 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 in 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.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

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 are included as part of the capitalized value of the assets constructed.

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:

	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Utility plant	40
Furniture and equipment	7
Automobiles and trucks	5

*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 and sick leave along with any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are 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 Proprietary Fund Type Statement of Net Assets. 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 Assets. 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.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

In the fund financial statements, however, 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Non-Current 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 Assets.

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

*Bond Discount and Issuance Costs* - For governmental funds, bond discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For business-type funds, bond discounts, as well as issuance costs, are deferred and amortized over the life, of the bonds. Bonds payable are reported net of applicable bond discounts. Issuance costs are reported as deferred charges.

*Net Assets/Fund Equity* - The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested In Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets - This category presents external restrictions on net assets imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the City, not restricted for any project or other purpose.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Fund Equity* – 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 category 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 legislations.
- Committed fund balance classification 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 are 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 is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

*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 GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 2 – Stewardship, Compliance and Accountability

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

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 3 – 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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 2,753,265
Fiduciary Funds:	
Cash and Investments	346,341
Cash and Investments with fiscal agent	1,146,286
Total Cash and Investments	<u>\$ 4,245,892</u>

**CITY OF PARLIER**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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**Note 3 – Cash and Investments (Continued)**

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 1,960
Deposits with Financial Institutions	2,198,311
Local Agency Investment Fund	899,335
Held by Fiscal Agent:	
Money Market Mutual Funds	<u>1,146,286</u>
Total Cash and Investments	<u>\$ 4,245,892</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to 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 than 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

**Note 3 – Cash and Investments (Continued)**

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by the 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 Deposits	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 the sensitivity of its fair value to changes in market interest rates. As of June 30, 2012 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund Held by Bond Trustee:	\$ 899,335	N/A
Money Market Mutual Funds	<u>1,146,286</u>	N/A
Total	<u>\$ 2,045,621</u>	

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 3 – Cash and Investments (Continued)

The custodial risk for investments is the risk that, in the event of the failure of the counterparty 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 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 4 – Notes Receivable

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 percent per annum are payable in monthly installments of \$322 through November 2019.	\$ 29,021
Notes receivable to 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 a State Housing Grant and charge 0% interest.	1,279,751

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 4 – Notes Receivable (Continued)

Note receivable from Parlier Affordable Housing LP, as a subsidy in connection with a low-income apartment. Principal and interest at 5 percent are payable only from available project revenues.	302,934
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.	834,180
Note receivable from Global Premier Development Inc. relating to the construction of 20 units in the Apartment Project. Principal and interest in the amount of 5 percent are deferred for the first five years and payments will commence thereafter. The loan principal and accrued interest is due and payable in 2029.	1,310,000
Notes receivable from Parlier City employees relating to employee benefit loans. Principal and interest of 3 percent per annum are payable in monthly installments.	242,840
Note receivable from Lloyd & Geri's, Inc. relating to a financial assistance loan through a business assistance grant. Principal and interest of 2 percent per annum are payable in monthly installments of \$450 through June 2018.	<u>32,843</u>
	<u>\$ 4,031,569</u>

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 5 – Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts. The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$105,880.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

### Note 6 – Interfund Transfers

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. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ 1,278,697	\$ -
Community Redevelopment Fund	-	(959,542)
Low-Moderate Housing Fund	-	(200,000)
Debt Service Fund	-	(277,572)
Community Development Fund	119,082	-
<b>Enterprise Funds:</b>		
Water	-	(70,000)
Sewer	-	(70,000)
Disposal	-	(21,000)
<b>Nonmajor Governmental Funds:</b>		
Local Transportation Fund	-	(86,109)
CDBG Housing Fund	286,444	-
	<u>\$ 1,684,223</u>	<u>\$ (1,684,223)</u>

# CITY OF PARIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Note 7 – Capital Assets

Capital asset activities for the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 1,571,010	\$ 114,000	\$ -	\$ 1,685,010
Construction in progress	-	1,125,126	-	1,125,126
Total capital assets, not being depreciated	<u>1,571,010</u>	<u>1,239,126</u>	<u>-</u>	<u>2,810,136</u>
Capital assets, being depreciated				
Buildings and improvements	2,454,020	-	-	2,454,020
Infrastructure	523,134	-	-	523,134
Machinery and equipment	790,884	106,655	-	897,539
Total capital assets, being depreciated	<u>3,768,038</u>	<u>106,655</u>	<u>-</u>	<u>3,874,693</u>
Less accumulated depreciation for:				
Buildings and improvements	(725,508)	(74,294)	-	(799,802)
Infrastructure	(90,585)	(13,078)	-	(103,663)
Machinery and equipment	(699,816)	(53,748)	-	(753,564)
Total accumulated depreciation	<u>(1,515,909)</u>	<u>(141,120)</u>	<u>-</u>	<u>(1,657,029)</u>
Total capital assets, being depreciated, net	<u>2,252,129</u>	<u>(34,465)</u>	<u>-</u>	<u>2,217,664</u>
Governmental activities capital assets, net	<u>\$ 3,823,139</u>	<u>\$ 1,204,661</u>	<u>\$ -</u>	<u>\$ 5,027,800</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 2,493,099	\$ -	\$ -	\$ 2,493,099
Construction in progress	-	217,377	-	217,377
Total capital assets, not being depreciated	<u>2,493,099</u>	<u>217,377</u>	<u>-</u>	<u>2,710,476</u>
Capital assets, being depreciated				
Building and improvements	-	-	-	-
Plant and equipment	10,221,564	-	-	10,221,564
Total capital assets, being depreciated	<u>10,221,564</u>	<u>-</u>	<u>-</u>	<u>10,221,564</u>
Less: accumulated depreciation	<u>(4,760,362)</u>	<u>(300,808)</u>	<u>-</u>	<u>(5,061,170)</u>
Total capital assets, being depreciated, net	<u>5,461,202</u>	<u>(300,808)</u>	<u>-</u>	<u>5,160,394</u>
Business-type activities capital assets, net	<u>\$ 7,954,301</u>	<u>\$ (83,431)</u>	<u>\$ -</u>	<u>\$ 7,870,870</u>

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Note 7 – Capital Assets (Continued)

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

#### Governmental Functions:

General Government	\$	27,612
Public Safety		54,800
Public Works and Development		27,850
Parks and Recreation		30,858
	\$	<u>141,120</u>

#### Business-Type Functions:

Water	\$	126,158
Sewer		174,650
	\$	<u>300,808</u>

### Note 8 – 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, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<b><u>Business-Type Activity Long Term Debt</u></b>					
Bonds Payable					
1974 West Parlier Water Revenue Bond	\$ 24,000	\$ -	\$ (12,000)	\$ 12,000	\$ 12,000
1980 Water Revenue Bond	167,000	-	(21,000)	146,000	22,000
1987 Parlier Sewer Revenue Bond	755,000	-	(29,000)	726,000	31,000
1994 Sewer Revenue Bond	1,225,000	-	(30,000)	1,195,000	35,000
Note Payable					
California Department of Water Resource	250,902	-	(24,553)	226,349	25,362
Total Business-Type Activity Debt	<u>\$ 2,421,902</u>	<u>\$ -</u>	<u>\$ (116,553)</u>	<u>\$ 2,305,349</u>	<u>\$ 125,362</u>
<b><u>Compensated Absences</u></b>					
Government Activities	\$ 310,376	\$ 2,777	\$ -	\$ 313,153	
Business-Type Activities	<u>\$ 127,439</u>	<u>\$ 19,248</u>	<u>\$ -</u>	<u>\$ 146,687</u>	

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 8 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2012 was comprised of the following individual issues:

**1974 West Parlier Water Revenue Bonds** - The 1974 West Parlier Water Revenue Bonds in the amount of \$210,000 were issued in 1974. Interest on the bonds is 5.0 percent.

**1980 Water Revenue Bonds** - The 1980 Water Revenue Bonds in the amount of \$1,055,000 were issued in 1980. Interest on the bonds is 5.0 percent.

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

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2012 was:

Years ending June 30,	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	125,362	110,418
2014	116,135	104,944
2015	119,947	99,633
2016	128,775	94,154
2017	131,654	88,226
2018-2022	563,465	355,553
2023-2027	577,000	225,150
2028-2032	453,000	85,900
2033	90,000	4,500
	<u>\$ 2,305,338</u>	<u>\$ 1,168,478</u>

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Note 9 – Deficit Fund Balances

**Fund Balance and Retained Earnings Deficits** - The following is a summary of deficit fund balances and retained earnings as of June 30, 2012:

Governmental Funds	
Housing Grant	<u>\$ (22,588)</u>
Enterprise Funds	
Disposal	<u>\$ (35,976)</u>

The deficit fund balances in the Housing Grant Fund and the Disposal Fund is expected to be negated by future revenues and transfers from other funds.

### Note 10 – Pension Plan

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

**Funding Policy** - The City makes the combined contribution required of the City and the City's employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the combined current rate is 20.093 percent for non-safety employees and 17.896 percent for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**Annual Pension Cost** - For the year ended June 30, 2012, the City's annual pension cost of \$503,407 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.25 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

#### THREE YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 487,485	100%	-
June 30, 2011	\$ 500,576	100%	-
June 30, 2012	\$ 503,407	100%	-

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 11 – Risk Management

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

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$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 San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2012 is as follows:

Total assets	<u>\$ 103,246,944</u>
Total liabilities	<u>\$ 90,963,926</u>
Total equities	<u>\$ 12,283,018</u>
Total revenues	<u>\$ 29,186,116</u>
Total expenses	<u>\$ 30,402,073</u>
Revenues over (under) expenses	<u>\$ (1,215,957)</u>

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 12 – Parlier Day Care Center

The City operates a full day care program funded by the State of California Department of Education. The City was awarded a contract not to exceed \$783,108 for preschool reimbursements and \$20,000 as a facilities renovation and repair grant. The following administration costs, not to exceed 15 percent of the grant expenditures, were incurred:

	<u>CSPP-1064</u>
Accounting	\$ 14,822
Oversight	25,453
	<u>\$ 40,275</u>

### Note 13 - 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 be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

### Note 14 – Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Parlier that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

# CITY OF PARLIER

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 14 – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 3,315,997
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(323,267)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(12,725,000)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (9,732,270)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF PARLIER

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive/ (Negative)
<b>Revenue</b>				
Taxes	\$ 1,912,966	\$ 1,912,966	\$ 1,781,114	\$ (131,852)
Intergovernmental	182,000	182,000	378,134	196,134
Charges for services	247,000	247,000	164,343	(82,657)
Licenses and permits	86,500	86,500	62,974	(23,526)
Fines and forfeitures	68,000	68,000	51,693	(16,307)
Interest and rents	54,230	54,230	131,547	77,317
Other	104,900	104,900	93,922	(10,978)
Total revenue	<u>2,655,596</u>	<u>2,655,596</u>	<u>2,663,727</u>	<u>8,131</u>
<b>Expenditures</b>				
Current				
General government	209,043	209,043	379,247	(170,204)
Public safety	2,357,435	2,357,435	2,569,927	(212,492)
Public works	38,009	38,009	110,626	(72,617)
Community development	106,955	106,955	222,374	(115,419)
Parks and recreation	373,862	373,862	350,708	23,154
Daycare	-	-	48,956	(48,956)
Capital outlay	-	-	49,237	(49,237)
Total expenditures	<u>3,085,304</u>	<u>3,085,304</u>	<u>3,731,075</u>	<u>(645,771)</u>
Revenue over (under) expenditures	(429,708)	(429,708)	(1,067,348)	(637,640)
<b>Other Financing Sources</b>				
Transfers in (out), net	<u>997,646</u>	<u>997,646</u>	<u>1,278,697</u>	<u>281,051</u>
<b>Net Change in Fund Balance</b>	<u>\$ 567,938</u>	<u>\$ 567,938</u>	211,349	<u>\$ (356,589)</u>
<b>Fund Balance</b>				
Beginning of year			<u>428,401</u>	
End of year			<u>\$ 639,750</u>	

**CITY OF PARLIER**

**BUDGETARY COMPARISON SCHEDULE**

**GAS TAX FUND**

**YEAR ENDED JUNE 30, 2012**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ 214,000	\$ 214,000	\$ 406,201	\$ 192,201
Interest and rent	7,200	7,200	798	(6,402)
Total revenue	<u>221,200</u>	<u>221,200</u>	<u>406,999</u>	<u>185,799</u>
<b>Expenditures</b>				
Current				
Public Works	252,000	252,000	136,345	115,655
Capital Outlay	39,000	39,000	44,500	(5,500)
Total expenditures	<u>291,000</u>	<u>291,000</u>	<u>180,845</u>	<u>110,155</u>
Revenue over (under)expenditures	<u>\$ (69,800)</u>	<u>\$ (69,800)</u>	226,154	<u>\$ 295,954</u>
<b>Fund Balance</b>				
Beginning of year			<u>600,862</u>	
End of year			<u>\$ 827,016</u>	

CITY OF PARLIER

**BUDGETARY COMPARISON SCHEDULE  
LOCAL TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ 295,000	\$ 295,000	\$ 386,685	\$ 91,685
Total revenue	<u>295,000</u>	<u>295,000</u>	<u>386,685</u>	<u>91,685</u>
<b>Expenditures</b>				
Current				
Public works	<u>536,428</u>	<u>536,428</u>	<u>231,366</u>	<u>305,062</u>
Total expenditures	<u>536,428</u>	<u>536,428</u>	<u>231,366</u>	<u>305,062</u>
Revenue over/(under) expenditures	(241,428)	(241,428)	155,319	396,747
<b>Other Financing Sources</b>				
Transfers in (out), net	<u>-</u>	<u>-</u>	<u>(86,109)</u>	<u>(86,109)</u>
<b>Change in Fund Balance</b>	<u>\$ (241,428)</u>	<u>\$ (241,428)</u>	69,210	<u>\$ 310,638</u>
<b>Fund Balance</b>				
Beginning of year			<u>759,915</u>	
End of year			<u>\$ 829,125</u>	

**CITY OF PARLIER**

**BUDGETARY COMPARISON SCHEDULE  
HOUSING GRANT FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ 1,598,872	\$ 1,598,872
Total revenue	-	-	1,598,872	1,598,872
<b>Expenditures</b>				
Current				
Community Development	-	-	1,907,904	(1,907,904)
Total expenditures	-	-	1,907,904	(1,907,904)
Revenue over/(under) expenditures	-	-	(309,032)	(309,032)
<b>Other Financing Sources</b>				
Transfers in (out), net	-	-	286,444	286,444
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	(22,588)	<u>\$ (22,588)</u>
<b>Fund Balance</b>				
Beginning of year			-	
End of year			<u>\$ (22,588)</u>	

**CITY OF PARLIER**

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ 3,838,545	\$ 3,838,545
Total revenue	-	-	3,838,545	3,838,545
<b>Expenditures</b>				
Current				
Community development	-	-	3,076,176	(3,076,176)
Capital outlay	-	-	1,239,126	(1,239,126)
Total expenditures	-	-	4,315,302	(4,315,302)
Revenue over/(under) expenditures	-	-	(476,757)	(476,757)
<b>Other Financing Sources</b>				
Transfers in (out), net	-	-	119,082	119,082
Total other financing sources	-	-	119,082	119,082
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	(357,675)	<u>\$ (357,675)</u>
<b>Fund Balance</b>				
Beginning of year			635,000	
End of year			<u>\$ 277,325</u>	

**SUPPLEMENTAL ONLY INFORMATION**

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**CITY OF PARLIER**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Special Revenue Funds			Capital Projects Funds			Debt Service Fund	Total Non-major Governmental Funds	
	Measure C	Low-Moderate Housing Asset	Landscape Maintenance	Day Care	Low - Moderate Housing	Community Redevelopment	Development Impact Fees	Debt Service	Total
<b>ASSETS</b>									
Cash and investments	\$ 654,644	\$ -	\$ 72,987	\$ -	\$ -	\$ -	\$ 178,807	\$ -	\$ 906,438
Accounts receivable	-	-	-	43,239	-	-	-	-	43,239
Due from other governments	27,597	-	2,243	26,479	-	-	-	-	56,319
Interest receivable	289	-	25	-	-	-	138	-	452
Notes receivable	-	1,310,000	-	-	-	-	-	-	1,310,000
Total assets	\$ 682,530	\$ 1,310,000	\$ 75,255	\$ 69,718	\$ -	\$ -	\$ 178,945	\$ -	\$ 2,316,448
<b>LIABILITIES AND FUND BALANCE</b>									
<b>Liabilities</b>									
Accounts payable and accrued expense	\$ 20,517	\$ -	\$ 78	\$ 20,349	\$ -	\$ -	\$ 6,143	\$ -	\$ 47,087
Deferred revenue	-	1,310,000	-	4,929	-	-	-	-	1,314,929
Due to other funds	-	-	-	44,440	-	-	-	-	44,440
Total liabilities	20,517	1,310,000	78	69,718	-	-	6,143	-	1,406,456
<b>Fund Balance</b>									
Restricted									
Circulation improvements	662,013	-	-	-	-	-	-	-	662,013
Capital improvement projects	-	-	-	-	-	-	172,802	-	172,802
Lighting, landscape & park maintenance	-	-	75,177	-	-	-	-	-	75,177
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	662,013	-	75,177	-	-	-	172,802	-	909,992
Total liabilities and fund balance	\$ 682,530	\$ 1,310,000	\$ 75,255	\$ 69,718	\$ -	\$ -	\$ 178,945	\$ -	\$ 2,316,448

**CITY OF PARLIER**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds				Capital Projects Funds			Debt Service Fund		Total Non-major Governmental Funds
	Measure C	Low-Moderate Housing Asset	Landscape Maintenance	Day Care	Low - Moderate Housing	Community Redevelopment	Development Impact Fees	Debt Service		
<b>Revenue</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Taxes	-	-	24,725	-	-	-	-	-	-	24,725
Intergovernmental	338,822	-	-	725,402	-	-	-	-	-	1,064,224
Charges for services	-	-	-	26,363	-	-	-	-	-	26,363
Licenses, permits, and impact fees	-	-	-	-	-	-	86,492	-	-	86,492
Interest	-	-	-	-	150	-	-	-	-	150
Other	-	-	-	-	-	764	-	-	-	764
<b>Total revenue</b>	<b>338,822</b>	<b>-</b>	<b>24,725</b>	<b>751,765</b>	<b>150</b>	<b>764</b>	<b>86,492</b>	<b>-</b>	<b>-</b>	<b>1,202,718</b>
<b>Expenditures</b>										
Public works	240,805	-	8,955	-	-	-	-	-	-	249,760
Community development	-	-	-	-	87,691	189,529	-	-	-	277,220
Day care	-	-	-	751,765	-	-	-	-	-	751,765
Tax pass-through	-	-	-	-	-	-	-	18,292	-	18,292
Capital outlay	12,918	-	-	-	-	-	-	-	-	12,918
Debt service	-	-	-	-	-	-	-	355,000	-	355,000
Principal	-	-	-	-	-	-	-	330,761	-	330,761
Interest	-	-	-	-	-	-	-	704,053	-	1,995,716
<b>Total expenditures</b>	<b>253,723</b>	<b>-</b>	<b>8,955</b>	<b>751,765</b>	<b>87,691</b>	<b>189,529</b>	<b>-</b>	<b>704,053</b>	<b>-</b>	<b>1,995,716</b>
Revenue over (under) expenditures	85,099	-	15,770	-	(87,541)	(188,765)	86,492	(704,053)	-	(792,998)
<b>Other financing sources(uses)</b>										
Transfers in/(out), net	-	-	-	-	(200,000)	(959,542)	-	(277,572)	-	(1,437,114)
Total other financing sources (uses)	-	-	-	-	(200,000)	(959,542)	-	(277,572)	-	(1,437,114)
<b>Extraordinary Loss</b>										
	-	-	-	-	(79,582)	(2,573,778)	-	(662,637)	-	(3,315,997)
<b>Change in Fund Balance</b>	<b>85,099</b>	<b>-</b>	<b>15,770</b>	<b>-</b>	<b>(367,123)</b>	<b>(3,722,085)</b>	<b>86,492</b>	<b>(1,644,262)</b>	<b>-</b>	<b>(5,546,109)</b>
<b>Fund Balance</b>										
Beginning of year	576,914	-	59,407	-	367,123	3,722,085	86,310	1,644,262	-	6,456,101
End of year	662,013	\$	75,177	\$	-	\$	172,802	\$	\$	909,992

# CITY OF PARLIER

## DAY CARE CENTER BALANCE SHEET JUNE 30, 2012

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	<u>Preschool Program</u>	<u>One-Time Only</u>	<u>Memo Total</u>
<b>ASSETS</b>			
Cash	\$ (48,985)	\$ 4,545	\$ (44,440)
Accounts receivable	43,239	-	43,239
Accounts receivable, State	26,479	-	26,479
Total assets	<u>\$ 20,733</u>	<u>\$ 4,545</u>	<u>\$ 25,278</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable - Trade	\$ 20,349	\$ -	\$ 20,349
Deferred revenue	384	4,545	4,929
Total liabilities	<u>20,733</u>	<u>4,545</u>	<u>25,278</u>
<b>Fund Balance</b>			
Unreserved, undesignated	-	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PARLIER**

**DAY CARE CENTER STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	<u>Preschool Program</u>	<u>One-Time Only Funds</u>
<b>REVENUES &amp; SUPPORT</b>		
State apportionments - Child Development Program	\$ 719,032	\$ -
State apportionments - One Time Only	-	455
Parent fees - Certified	<u>32,278</u>	<u>-</u>
Total revenues and support	<u>751,310</u>	<u>455</u>
<b>EXPENSES</b>		
Certified salaries:		
Teachers' salaries	340,527	-
Classified salaries:		
Instructional aides salaries	91,598	-
Other salaries	82,064	-
Employee benefits	82,768	-
Instructional supplies	9,658	-
Other supplies and groceries	28,168	-
Travel and conferences	4,822	-
Insurance	5,309	-
Utilities and housekeeping	27,383	-
Rents	45,000	-
Other operating expenditures	34,013	455
Equipment	<u>-</u>	<u>-</u>
Total expenses	<u>751,310</u>	<u>455</u>
<b>Increase in Fund Balances</b>	-	-
<b>Fund Balances</b>		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PARLIER**

**DAY CARE CENTER SCHEDULE OF EXPENDITURES BY STATE CATEGORIES  
YEAR ENDED JUNE 30, 2012**

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		<u>Preschool Program CSPP-1064</u>	<u>Renovation and Repair CRPM-1008</u>
<b>Expenditures</b>			
1000	<u>Certified Salaries</u>		
	1100 - Teachers' salaries	\$ 340,527	\$ -
2000	<u>Classified Salaries</u>		
	2100 - Instructional aides salaries	91,598	-
	2300 - Clerical and other office salaries	25,140	-
	2500 - Food service salaries	56,924	-
3000	<u>Employee Benefits</u>		
	3300 - Social security	38,841	-
	3400 - Health and welfare benefits	11,356	-
	3600 - Workers' compensation insurance	2,689	-
	3900 - Other benefits	29,882	-
4000	<u>Books and Supplies</u>		
	4600 - Instructional supplies	9,658	-
	4790 - Food, groceries/disposables	28,168	-
5000	<u>Contracted Services and Other Operating Expenditures</u>		
	5200 - Travel and conference	4,822	-
	5400 - Insurance	5,309	-
	5500 - Utilities and housekeeping	27,383	-
	5600 - Rentals, leases and repairs	45,000	-
	5800 - Other services and operating expenditures	<u>34,013</u>	<u>455</u>
<b>Total reimbursable and nonreimbursable expenditures</b>		<u>\$ 751,310</u>	<u>\$ 455</u>

We have examined the claims filed for reimbursement and the original supporting records covering the transactions under this contract to an extent considered necessary to assure ourselves that the amounts claimed by the agency were proper.

**CITY OF PARLIER**

**DAY CARE CENTER COMBINING SCHEDULE OF RENOVATION AND REPAIR  
EXPENDITURES  
YEAR ENDED JUNE 30, 2012**

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	<b>Renovation and Repairs <u>CRPM-1008</u></b>
<b>Expenditures Under \$10,000 Unit Cost</b>	
Parts	\$ 455
Total	<u>455</u>
<b>Expenditures Over \$10,000 Unit Cost With CDD Approval</b>	
None	-
Total	<u>-</u>
<b>Expenditures Over \$10,000 Unit Cost Without CDD Approval</b>	
None	-
Total	<u>-</u>
<b>Total Renovation and Repair Expenditures</b>	<u>\$ 455</u>

**CITY OF PARLIER**

**DAY CARE CENTER SCHEDULE OF EQUIPMENT EXPENDITURES  
YEAR ENDED JUNE 30, 2012**

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	<u>General Child Care</u>
<b>Expenditures Under \$7,500 Unit Cost</b>	
None	\$ _____ -
Total	_____ -
<b>Expenditures Over \$7,500 Unit Cost With CDD Approval</b>	
None	_____ -
Total	_____ -
<b>Expenditures Over \$7,500 Unit Cost Without CDD Approval</b>	
None	_____ -
Total	_____ -
<b>Total Equipment Expenditures</b>	<u>\$ _____ -</u>



**CITY OF PARLIER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CHILD CARE PROGRAM  
YEAR ENDED JUNE 30, 2012**

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None



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

Agency Name: CITY OF PARLIER Vendor No. 10 2190

Fiscal Year End: June 30, 2012 Contract No. CSP-1064

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
<b>RESTRICTED INCOME</b>			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
<b>Subtotal</b>	\$0	\$0	\$0
Transfer from Reserve Contract #			0
Family Fees for Certified Children Contract # CSPP 1064	27,066	5,212	32,278
Interest Earned on Apportionments Contract #			0
<b>UNRESTRICTED INCOME</b>			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
<b>TOTAL REVENUE</b>	\$27,066	\$5,212	\$32,278

**SECTION IV - REIMBURSABLE EXPENSES**

1000 Certificated Salaries	\$279,823	\$60,704	\$340,527
2000 Classified Salaries	87,100	86,562	173,662
3000 Employee Benefits	141,962	(59,194)	82,768
4000 Books and Supplies	87,457	(49,631)	37,826
5000 Services and Other Operating Expenses	100,597	15,930	116,527
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 0.00% (Rate is Self-Calculating)			0
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$696,939	\$54,371	\$751,310
<b>TOTAL ADMINISTRATIVE COSTS</b> (included in section IV above)	\$44,785	(\$4,510)	\$40,275

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, Child Development 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 this box and omit page 4 if there are no supplemental revenues or expenses to report.

### AUDITED FISCAL REPORT for Child Development Support Contracts

Agency Name: CITY OF PARLIER Vendor No. 2190

Fiscal Year End: June 30, 2012 Contract No. CRPM 1008

Multi-Year Contract? (Check "No" Box or Enter Contract Period): No:  or Period: 06/30/12

Independent Auditor's Name: BRYANT JOLLEY CPA

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	LAST YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
<b>SECTION I - REVENUE</b>				
RESTRICTED INCOME				
Match Requirement	\$0	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME				0
Other (Specify):				0
<b>TOTAL REVENUE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**SECTION II - REIMBURSABLE EXPENSES**

1000 Certificated Salaries	\$0	\$0	\$0	\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment ( <i>program-related</i> )				0
6500 Replacement Equipment ( <i>program-related</i> )	0		455	455
Depreciation or Use Allowance				0
Indirect Costs. Rate: 0.00%				0
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$455</b>	<b>\$455</b>
TOTAL ADMINISTRATIVE COSTS ( <i>included in section II above</i> )	\$0	\$0	\$0	\$0

FOR CDE-A&I USE ONLY:

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

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

### AUDITED FISCAL REPORT for Child Development Support Contracts

Agency Name: CITY OF PARLIER Vendor No. 2190

Fiscal Year End: June 30, 2012 Contract No. CRPM 9017

Multi-Year Contract? (Check "No" Box or Enter Contract Period): No:  or Period: 06/30/12

Independent Auditor's Name: BRYANT JOLLEY CPA

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	LAST YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
<b>SECTION I - REVENUE</b>				
RESTRICTED INCOME				
Match Requirement	\$0	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
				0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME				0
Other (Specify):				0
				0
<b>TOTAL REVENUE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**SECTION II - REIMBURSABLE EXPENSES**

1000 Certificated Salaries	\$0	\$0	\$0	\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment ( <i>program-related</i> )				0
6500 Replacement Equipment ( <i>program-related</i> )	18,450			18,450
Depreciation or Use Allowance				0
Indirect Costs. Rate: 0.00%				0
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	<b>\$18,450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,450</b>
TOTAL ADMINISTRATIVE COSTS ( <i>included in section II above</i> )	\$0	\$0	\$0	\$0
FOR CDE-A&I USE ONLY:				

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

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

## AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: CITY OF PARLIER

Fiscal Year End: June 30, 2012

Vendor No. 2190

Independent Auditor's Name: BRYANT JOLLEY CPA

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

**LAST YEAR:**

<b>1. Beginning Balance</b> (must equal ending balance from Last Year's AUD 9530-A)	\$379	\$0	\$379
<b>2. Plus Transfers from Contracts to Reserve Account</b> (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.	\$0	\$0	\$0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
<b>3. Less Excess Reserve to be Billed</b> (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
<b>4. Ending Balance on Last Year's Post-Audit CDFS 9530</b>	\$379	\$0	\$379

**THIS YEAR:**

<b>5. Plus Interest Earned This Year on Reserve Funds</b> (column A must agree with this year's CDFS 9530-A, Section II)	\$5	\$0	\$5
<b>6. Less Transfers to Contracts from Reserve Account</b> (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):			
CSPP-1063			\$0
Contract No.			0
Total Transferred to Contracts from Reserve Account	0	0	0
<b>7. Ending Balance on June 30, 2012</b> (column A must agree with this year's CDFS 9530-A, Section IV)	\$384	\$0	\$384

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

**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 *GOVERNMENTAL AUDITING STANDARDS***

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

We have audited the financial statements of the City of Parlier, as of, and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. 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.

**Internal Control Over Financial Reporting**

Management of the City of Parlier is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Parlier's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in items 2012-01 through 2012-07 in the accompanying schedule of findings and questioned costs to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Parlier's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Parlier in a separate letter date January 30, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "August 2013" followed by a stylized flourish.

January 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

We have audited the compliance of the City of Parlier (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Parlier's basic financial statements as a whole. 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be "K. J. [unclear]", written in a cursive style.

January 30, 2013

# CITY OF PARLIER

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Community Development			
Pass-through from the State Department of Housing and Community Development			
First Time Home Buyers/Owner-Occupied Rehab	14.239	10-HOME-6843	\$ 170,617
First Time Home Buyers/Owner-Occupied Rehab	14.239	09-HOME-6202	71,433
First Time Home Buyers/Owner-Occupied Rehab	14.239	08-HOME-4988	<u>5,000</u>
			<u>247,050</u>
U.S. Department of Housing and Community Development			
Pass-through from the State Department of Housing and Community Development			
ARRA CDBG Recovery Program	14.255	09-STAR-6388	860,780
ARRA CDBG Recovery Program	14.255	10-STBG-6732	<u>181,557</u>
			<u>1,042,337</u>
U.S. Department of Housing and Urban Development			
Pass-through from the State Department of Housing and Community Development			
Community Development Block Grant	14.228	09-PTAG-6501	52,895
Community Development Block Grant	14.228	07-EDEF-3760	<u>109,947</u>
			<u>162,842</u>
U.S. Department of Agriculture			
ARRA Community Facilities Grant	10.780	N/A	<u>10,023</u>
U.S. Department of Justice			
ARRA COPS Hiring Recovery Program	16.710	2011-UM-WX-0020	84,096
ARRA COPS Hiring Recovery Program	16.710	2009-RK-WX-0099	<u>78,712</u>
			<u>162,808</u>
U.S. Department of Transportation			
Pass-through from the California Department of Transportation			
Federal Safe Routes to School	20.205	SRTSL-5252(014)	<u>32,798</u>
U.S. Department of Education			
Pass-through from the California Department of Education			
California State Preschool	93.575	CSPP-1064	<u>90,604</u>

# CITY OF PARLIER

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency Pass-through from California Department of Public Health ARRA Safe Drinking Water State Revolving Fund Program	66.468	AR09FP11	<u>165,780</u>
U.S. Department of Commerce Public Works and Economic Development Facilities Program	11.300	N/A	<u>547,650</u>
<i>Total Federal Expenditures</i>			<u>\$ 2,461,892</u>

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards reports expenditures on the modified accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year which meet federal grant eligibility requirements.

**CITY OF PARLIER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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**A. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported
- Non-compliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

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

*Identification of Major Programs*

CFDA Number	Name of Federal Program or Cluster
11.300	Public Works and Economic Development Facilities Program
14.255	ARRA CDBG Recovery Program

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

Auditee qualified as low-risk auditee?  Yes  No

# CITY OF PARLIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### B. Findings – Financial Statements Audit

#### 2012-01 Internal Controls over Financial Reporting (Material Weakness)

##### **Criteria:**

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

##### **Condition:**

We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2012, were not effective, which contributed to the city's unpreparedness for the audit. We experienced continuing delays throughout the audit process due to the City's inability to provide the requested supporting documents in timely manner and the inadequacy of supporting documents received.

##### **Cause:**

The City's policies and procedures for recording financial transactions were disrupted due to significant inefficiencies in the how the finance department staff performed their duties.

##### **Effect:**

The City was not able to close its books and generate year end reports in a timely manner. As a result, during the performance of the financial audit for the year ended June 30, 2012, there were significant delays in receiving the requested audit documents and various schedules received required further reconciliation and adjustment.

##### **Recommendation:**

We recommend that the City close its books in a timely manner and have all accounts reconciled and balanced to the general ledger, and a detailed review of all financial statements be conducted prior to the start of the audit fieldwork. We also recommend that all reconciliations and detailed listings be reviewed to ensure accuracy.

##### **Management Corrective Action Plan:**

Management acknowledges there was some delay in the year end closing due to significant turnover within the Finance Department, including the Finance Director position, which remained vacant for several months and due to improper training of the staff in the Finance Department. Management plans to remedy the situation by training employees on how to perform their daily tasks.

# CITY OF PARLIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-02 Bank Reconciliations (Material Weakness)

#### **Criteria:**

Failure to reconcile cash in a timely manner is a weakness in internal controls over a significant account balance.

#### **Condition:**

Cash was not reconciled to the general ledger on a monthly basis. Bank statements accumulated for several months to a year before they were reconciled to the appropriate general ledger accounts.

#### **Cause:**

Failure on the part of the Finance Department to prioritize the cash reconciliation process.

#### **Effect:**

By not reconciling the bank accounts to the general ledger on a monthly basis, errors or other problems might not be recognized and resolved on a timely basis.

#### **Recommendation:**

Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate internal control over cash. Bank reconciliations should be performed on all bank accounts in a timely manner after month-end. The bank reconciliations should be formally approved. Any discrepancies should be investigated and all errors and omissions should be posted to the general ledger.

#### **Management Corrective Action Plan:**

Management acknowledges there was a failure to perform bank reconciliations on a monthly basis. Management has begun to review the completed bank reconciliations for the current fiscal year, and to verify that it does reconcile to the general ledger.

# CITY OF PARIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-03 Reporting of Schedule of Expenditures of Federal Awards (Material Weakness)

#### **Criteria:**

OMB Circular A-133 in Subpart C – states that the City shall:

- a. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.
- b. Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards, including notes that describe the significant accounting policies used in preparing the schedule.

#### **Condition:**

The City's internal controls over the compilation of the annual Schedule of Expenditures of Federal Awards did not identify all the federal expenditures required to prepare a complete s Schedule of Expenditures of Federal Awards as of June 30, 2012.

#### **Cause:**

The departments responsible for overseeing the City's federal grants are not communicating effectively with the Finance Department regarding the total federal expenditures incurred during the year. The Finance Department is responsible for preparing the Schedule of Expenditures of Federal Awards.

#### **Effect:**

The City was not able to compile a complete and accurate Schedule of Expenditures of Federal Awards for audit. As a result, additional audit procedures and auditor assistance was necessary to ensure the accuracy and completeness of the City's Schedule of Expenditures of Federal Awards.

#### **Recommendation:**

The Finance Department should work with all departments to accumulate the data that is necessary to compile the Schedule of Expenditures of Federal Awards. We recommend that this compilation take place at least quarterly. The Finance Department must coordinate with all departments to obtain the data that is necessary to prepare an accurate and complete Schedule of Expenditures of Federal Awards.

#### **Management Corrective Action Plan:**

Management understands that the Schedule of Expenditures of Federal Awards must include all federally-funded expenditures. Therefore, the City will ensure each grant received has a responsible employee assigned to the grant to coordinate grant information to the Finance Department. The grant administrator will communicate this information to Finance department staff, who will update the Schedule of Expenditures of Federal Awards throughout the year, so it is complete at year-end.

# CITY OF PARIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-04 Reporting of Capital Assets (Material Weakness)

#### **Criteria:**

Cities are required to adopt adequate internal controls to properly record, summarize, and report accounting transactions, including those associated with the acquisition and disposition of capital assets, to provide reasonable assurance that the financial statements are not materially misstated.

#### **Condition:**

The City does not have a documented capital asset policy in place to ensure all capital assets are identified and does not maintain the schedule of capital assets.

#### **Cause:**

The City does not have adequate policies and procedures to ensure all capital assets are properly identified and recorded.

#### **Effect:**

Capital assets represent a significant account balance for the City and improper accounting could result in a material misstatement of the financial statements.

#### **Recommendation:**

We recommend the City establish internal control policies and procedures to provide reasonable assurance that the following occurs on a routine basis:

- Prepare periodic reconciliation schedules of capital assets including construction in progress balances to ensure that all amounts are properly reported in the financial statements.
- Capital asset inventory is performed at least annually
- Review detail schedules on an ongoing basis to ensure that balances recorded are capital in nature and individual assets are properly classified on the capital asset detail schedules.

#### **Management Corrective Action Plan:**

Management acknowledges that there is a weakness in the accounting of capital assets. The City will reconcile on a periodic basis the capital asset records in the system. Also, the Finance Department will work to formulate a process to ensure periodic reconciliations of the construction in progress balances going forward.

# CITY OF PARIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-05 Grant Accounting (Material Weakness)

#### **Criteria:**

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

#### **Condition:**

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

#### **Cause:**

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

#### **Effect:**

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

#### **Recommendation:**

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

#### **Management Corrective Action Plan:**

Management is aware of the problems with the grant accounting. The City will implement procedures to properly record grant activity.

# CITY OF PARLIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-06 Loan Receivables (Material Weakness)

#### **Criteria:**

The City's internal control system should be designed to ensure that the loans receivable are properly accounted for and recorded.

#### **Condition:**

The City does not have proper amortization schedules for outstanding loan balances to track principal and interest payment on the loans receivable.

#### **Cause:**

The Finance Department did not account for loan payments accurately and the City does not have policies on how to treat loans that are in default.

#### **Effect:**

The City's failure to track loans receivable accurately increases the likelihood that there may be improper loan receivable balances and loans that are default are not properly resolved.

#### **Recommendation:**

We recommend that the City establish an internal control system for loans receivable and maintain current amortization schedules for each loan to ensure that payments received are properly recorded. In addition, the City should establish procedures to document proper treatment of loans that are in default.

#### **Management Corrective Action Plan:**

Management is aware of the problems with the loan receivable balances. The City is implementing amortization schedules for each loan and management will monitor that the employees are properly accounting and recording the correct amounts.

# CITY OF PARIER

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2012

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### 2012-07 General Ledger Coding of Deposits and Disbursements (Material Weakness)

#### **Criteria:**

The City's internal control system should be designed to ensure that deposits and disbursements are coded in the proper general ledger accounts in the correct funds.

#### **Condition:**

The City does not have adequate controls in place to monitor that deposits and disbursements are properly coded. Finance Department staff are not recording activity in the proper funds and general ledger accounts.

#### **Cause:**

The City's policies and procedures for recording deposits and disbursements are not adequate to monitor the coding process. Finance Department staff are not adequately trained to know which codes to use for the deposits and disbursements, and management is not adequately reviewing and monitoring the process to ensure that deposits and disbursements are being properly recorded.

#### **Effect:**

The City's lack of monitoring the general ledger coding process for deposits and disbursements increases the likelihood that deposits and disbursements are not recorded in the proper account and proper fund and thus will reflect misstatements in the financial statements.

#### **Recommendation:**

We recommend that the City train staff responsible for the coding process to be proficient in where each deposit and disbursement should be coded. Management should review the deposits and disbursements to ensure that they are properly coded.

#### **Management Corrective Action Plan:**

Management is aware of the problems with the coding process for deposits and disbursements. The City's management will train staff responsible for the coding process to be proficient in where each deposit and disbursement should be coded. Management will review the deposits and disbursements to ensure that they are properly coded.

#### **C. Findings and Questioned Costs – Major Federal Award Programs Audit**

None noted.

**CITY OF PARLIER**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

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**Summary Schedule of Prior Audit Findings**

There were no prior audit findings.