

CITY OF PARLIER

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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 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. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the City of Parlier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Parlier's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "K. J. [unclear]", is written over the date.

November 21, 2013

CITY OF PARLIER

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,975,838	\$ 299,576	\$ 3,275,414
Accounts receivable	24,534	428,636	453,170
Due from other governments	1,086,134	-	1,086,134
Internal balances	(1,382,563)	1,382,563	-
Interest receivable	248,959	357	249,316
Notes receivable	8,765,805	-	8,765,805
Capital assets (net of allowance for depreciation)	4,866,143	7,577,921	12,444,064
Total assets	<u>16,584,850</u>	<u>9,689,053</u>	<u>26,273,903</u>
LIABILITIES			
Accounts payable and accrued expense	587,259	352,807	940,066
Accrued interest	-	33,953	33,953
Deposits	2,333	82,302	84,635
Deferred revenue	7,735,723	-	7,735,723
Compensated absences	188,173	119,658	307,831
Long-term liabilities			
Due within one year	-	116,135	116,135
Due in more than one year	-	2,065,852	2,065,852
Total liabilities	<u>8,513,488</u>	<u>2,770,707</u>	<u>11,284,195</u>
NET POSITION			
Net investment in capital assets	4,866,143	5,395,934	10,262,077
Restricted for debt service	-	180,300	180,300
Restricted for capital projects	180,121	-	180,121
Restricted for specific projects and programs	866,940	-	866,940
Unrestricted	2,158,158	1,328,829	3,486,987
Total net position/(deficit)	<u>\$ 8,071,362</u>	<u>\$ 6,905,063</u>	<u>\$ 14,976,425</u>

CITY OF PARLIER

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2013

Functions/Programs	Net Revenue/(Expense) and Changes in Net Position				
	Primary Government				Total
	Expense	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities					
General government	\$ 92,056	\$ 24,662	\$ 21,245	\$ -	\$ (46,149)
Public safety	2,732,583	102,267	455,767	-	(2,174,549)
Public works	992,971	-	1,241,418	-	248,447
Community development	6,821,864	133,725	5,291,924	914,535	(481,680)
Parks and recreation	327,563	4,784	-	-	(322,779)
Day care	716,324	46,478	669,846	-	-
Debt service	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total governmental activities	11,683,361	311,916	7,680,200	914,535	(2,776,710)
Business-type activities					
Water	1,240,768	1,560,900	-	22,444	342,576
Sewer	1,223,521	1,181,974	-	19,085	(22,462)
Disposal	1,196,067	1,130,006	-	-	(66,061)
Total business-type activities	3,660,356	3,872,880	-	41,529	254,053
Total primary government	\$ 15,343,717	\$ 4,184,796	\$ 7,680,200	\$ 956,064	(2,522,657)
General Revenue					
Property taxes		294,382			294,382
Motor vehicle taxes		1,067,235			1,067,235
Sales taxes		344,488			344,488
Franchise taxes		214,088			214,088
Business licenses		52,388			52,388
Interest and rent		414,614			414,614
Sale of asset		8,140			8,140
Other		102,243			102,243
Transfers		69,347		(69,347)	-
Total general revenue and transfers		2,566,925		(69,347)	2,497,578
Change in Net Position		(209,785)		184,706	(25,079)
Net Position					
Beginning of year		8,281,147		6,720,357	15,001,504
End of year	\$	8,071,362	\$	6,905,063	\$ 14,976,425

CITY OF PARLIER

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Gas Tax	Local Transportation	Housing Grant	Community Development	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ -	\$ 1,006,662	\$ 924,127	\$ -	\$ -	\$ 1,045,049	\$ 2,975,838
Accounts receivable	-	-	-	-	-	24,534	24,534
Due from other governments	217,051	30,016	41,078	238,790	473,488	85,711	1,086,134
Interest receivable	247,432	798	277	-	-	452	248,959
Notes receivable	1,061,663	-	-	6,332,278	61,864	1,310,000	8,765,805
Total assets	\$ 1,526,146	\$ 1,037,476	\$ 965,482	\$ 6,571,068	\$ 535,352	\$ 2,465,746	\$ 13,101,270
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable and accrued expense	\$ 420,904	\$ 15,487	\$ 27,261	\$ 22,414	\$ 37,987	\$ 63,206	\$ 587,259
Deposits	2,333	-	-	-	-	-	2,333
Deferred revenue	-	-	-	6,332,278	88,900	1,314,545	7,735,723
Due to other funds	892,148	-	-	353,396	96,085	40,934	1,382,563
Total liabilities	1,315,385	15,487	27,261	6,708,088	222,972	1,418,685	9,707,878
Fund Balance							
Nonspendable	1,061,663	-	-	-	61,864	-	1,123,527
Notes receivable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	791,891	791,891
Circulation improvements	-	-	-	-	-	180,121	180,121
Capital improvement projects	-	-	-	-	-	75,049	75,049
Lighting, landscape & park maintenance	-	-	-	-	-	-	-
Unassigned	(850,902)	1,021,989	938,221	(137,020)	250,516	-	1,222,804
Total fund balance	210,761	1,021,989	938,221	(137,020)	312,380	1,047,061	3,393,392
Total liabilities and fund balance	\$ 1,526,146	\$ 1,037,476	\$ 965,482	\$ 6,571,068	\$ 535,352	\$ 2,465,746	\$ 13,101,270

CITY OF PARLIER

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2013

Total governmental fund balances	\$ 3,393,392
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	4,866,143
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(188,173)</u>
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Net position of governmental activities	<u>\$ 8,071,362</u>
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CITY OF PARIER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2013

	General	Gas Tax	Local Transportation	Housing Grant	Community Development	Other Governmental Funds	Total Governmental Funds
Revenue							
Taxes	\$ 2,033,304	\$ -	\$ -	\$ -	\$ -	\$ 45,157	\$ 2,078,461
Intergovernmental	477,012	332,152	555,088	5,291,924	907,216	1,024,024	8,587,416
Charges for services	188,563	-	-	-	-	46,478	235,041
Licenses, permits and impact fees	31,866	-	-	-	-	7,319	39,185
Fines and forfeitures	45,009	-	-	-	-	-	45,009
Interest and rent	410,290	1,113	980	-	1,364	867	414,614
Sale of equipment	8,140	-	-	-	-	-	8,140
Other	102,243	-	-	-	-	-	102,243
Total revenue	3,296,427	333,265	556,068	5,291,924	908,580	1,123,845	11,510,109
Expenditures							
Current							
General government	189,424	-	-	-	-	-	189,424
Public safety	2,680,374	-	-	-	-	-	2,680,374
Public works	113,634	138,292	442,743	-	-	270,452	965,121
Community development	453,668	-	-	5,417,535	950,661	-	6,821,864
Parks and recreation	268,577	-	-	-	-	-	268,577
Day care	-	-	-	-	-	716,324	716,324
Capital outlay	5,000	-	-	-	-	-	5,000
Debt Service	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	3,710,677	138,292	442,743	5,417,535	950,661	986,776	11,646,684
Revenue over/(under) expenditures	(414,250)	194,973	113,325	(125,611)	(42,081)	137,069	(136,575)
Other Financing Sources/(Uses)							
Transfers in/(out) - net	(14,739)	-	(4,229)	11,179	77,136	-	69,347
Change in Fund Balance	(428,989)	194,973	109,096	(114,432)	35,055	137,069	(67,228)
Fund Balance							
Beginning of year	639,750	827,016	829,125	(22,588)	277,325	909,992	3,460,620
End of year	210,761	1,021,989	938,221	(137,020)	312,380	1,047,061	3,393,392

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, 2013

Net change in fund balance - total governmental funds	\$ (67,228)
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of Prop 1A receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position	(105,880)
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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	124,980
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service	5,000
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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>(166,657)</u>
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Change in net position of governmental activities	<u>\$ (209,785)</u>
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CITY OF PARLIER

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total Business-Type Funds
ASSETS				
Current assets				
Cash and investments	\$ 162,694	\$ 97,792	\$ 39,090	\$ 299,576
Accounts receivable	185,446	120,741	122,449	428,636
Due from other funds	1,382,563	-	-	1,382,563
Interest receivable	341	-	16	357
Total current assets	1,731,044	218,533	161,555	2,111,132
Non-current assets				
Property, plant and equipment (net of allowance for depreciation)	2,076,628	5,501,293	-	7,577,921
Total noncurrent assets	2,076,628	5,501,293	-	7,577,921
Total assets	3,807,672	5,719,826	161,555	9,689,053
LIABILITIES				
Current liabilities				
Accounts payable and accrued expense	45,424	46,737	260,646	352,807
Accrued interest	2,078	31,875	-	33,953
Deposits	82,302	-	-	82,302
Deferred revenue	13,283	-	-	13,283
Compensated absences	58,356	58,356	2,946	119,658
Current portion of long-term debt	49,135	67,000	-	116,135
Total current liabilities	250,578	203,968	263,592	718,138
Noncurrent Liabilities				
Long-term debt	277,852	1,788,000	-	2,065,852
Total liabilities	528,430	1,991,968	263,592	2,783,990
NET POSITION				
Net investment in capital assets	1,749,641	3,646,293	-	5,395,934
Restricted for debt service	19,300	161,000	-	180,300
Unrestricted/(deficit)	1,510,301	(79,435)	(102,037)	1,328,829
Total net position	\$ 3,279,242	\$ 3,727,858	\$ (102,037)	\$ 6,905,063

CITY OF PARLIER

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Revenue				
Charges for services	\$ 1,556,736	\$ 1,175,568	\$ 1,130,006	\$ 3,862,310
Connection fees	4,164	6,406	-	10,570
Total operating revenue	<u>1,560,900</u>	<u>1,181,974</u>	<u>1,130,006</u>	<u>3,872,880</u>
Operating Expense				
Contractual services and utilities	449,185	408,460	1,083,039	1,940,684
Personnel	534,144	486,768	98,426	1,119,338
Supplies and materials	102,937	64,375	14,602	181,914
Depreciation	122,228	170,721	-	292,949
Total operating expense	<u>1,208,494</u>	<u>1,130,324</u>	<u>1,196,067</u>	<u>3,534,885</u>
Operating income/(loss)	<u>352,406</u>	<u>51,650</u>	<u>(66,061)</u>	<u>337,995</u>
Nonoperating Revenue/(Expense)				
Development impact fees	22,444	19,085	-	41,529
Interest income	-	-	-	-
Interest expense	(32,274)	(93,197)	-	(125,471)
Total nonoperating revenue/(expense)	<u>(9,830)</u>	<u>(74,112)</u>	<u>-</u>	<u>(83,942)</u>
Net income/(loss) before transfers	342,576	(22,462)	(66,061)	254,053
Operating Transfers In/(Out), net	<u>(69,347)</u>	<u>-</u>	<u>-</u>	<u>(69,347)</u>
Change in Net Position	<u>273,229</u>	<u>(22,462)</u>	<u>(66,061)</u>	<u>184,706</u>
Net Position				
Beginning of year	3,006,013	3,750,320	(35,976)	6,720,357
End of year	<u>\$ 3,279,242</u>	<u>\$ 3,727,858</u>	<u>\$ (102,037)</u>	<u>\$ 6,905,063</u>

CITY OF PARLIER

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Activities				
Receipts from customers and users	\$ 1,591,721	\$ 1,178,563	\$ 1,115,440	\$ 3,885,724
Payments for contractual services and utilities	(425,648)	(399,227)	(1,222,176)	(2,047,051)
Payments to employees	(547,228)	(499,852)	(99,287)	(1,146,367)
Payments to suppliers	(102,937)	(64,375)	(14,602)	(181,914)
Net cash provided by (used in) operating activities	515,908	215,109	(220,625)	510,392
Non-capital Financial Activities				
Payments from developers	22,441	19,085	-	41,526
Payments received from (paid to) other funds	(307,712)	-	71,496	(236,216)
Net cash provided by (used in) noncapital financing activities	(285,271)	19,085	71,496	(194,690)
Capital and Related Financing Activities				
Principal paid on long-term debt	(57,362)	(66,000)	-	(123,362)
Interest paid on long-term debt	(32,848)	(94,400)	-	(127,248)
Net cash provided by (used in) capital and related financing activities	(90,210)	(160,400)	-	(250,610)
Investing Activities				
Interest received	-	-	-	-
Net cash provided by (used in) investing activities	-	-	-	-
Net Increase (Decrease) in Cash	140,427	73,794	(149,129)	65,092
Cash				
Beginning of year	22,267	23,998	188,219	234,484
End of year	\$ 162,694	\$ 97,792	\$ 39,090	\$ 299,576
Cash Flows from Operating Activities				
Operating income (loss)	\$ 352,406	\$ 51,650	\$ (66,061)	\$ 337,995
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	122,228	170,721	-	292,949
(Increase) Decrease in Accounts Receivable	20,185	(3,411)	(14,566)	2,208
Increase (Decrease) in Accounts Payable and Accrued Liabilities	21,089	(3,851)	(139,998)	(122,760)
Net Cash Provided by (Used in) Operating Activities	\$ 515,908	\$ 215,109	\$ (220,625)	\$ 510,392

CITY OF PARLIER

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2013

Assets

Cash and investments	
Cash and investments	\$ 1,045,368
Cash and investments with fiscal agent	1,140,203
Taxes Receivable	-
Notes receivable	144,683
Land held for resale	2,058,001
Total assets	<u>4,388,255</u>

Liabilities

Accounts payable and accrued liabilities	10,256
Interest payable	263,291
Long-term debt	
Due within one year	390,000
Due in more than one year	11,970,000
Total liabilities	<u>12,633,547</u>

Net Position

Held in trust for other governments	<u>\$ (8,245,292)</u>
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CITY OF PARLIER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2013

Additions

Property taxes	\$ 1,504,032
Investment earnings and other	42,113
Total additions	<u>1,546,145</u>

Deductions

Administrative costs	250,000
Program expenses	198,341
Interest and fiscal agency expenses of former redevelopment agency	632,494
Total deductions	<u>1,080,835</u>

Change In Net Position	465,310
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Net Position

Beginning of year	<u>(8,710,602)</u>
End of year	<u>\$ (8,245,292)</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) 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 Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net Position 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 position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as 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, 2013

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.

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.

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.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2013, 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.

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.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Vested leave of Proprietary Funds 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 Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, 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.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Position.

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 9 for further discussion.

Net Position/Fund Equity - The government-wide and business-type activities fund financial statements utilize a net position presentation. Net Position is 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 position. 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 Position - This category presents external restrictions on net position 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 Position - This category represents net position of the City, not restricted for any project or other purpose.

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.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Implementation of New GASB Pronouncements - The District adopted new accounting standards in order to conform with the following Governmental Accounting Standards Board Statements (GASB):

- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the authoritative pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 3,275,414
Fiduciary Funds:	
Cash and Investments	1,045,368
Cash and Investments with fiscal agent	1,140,203
Total Cash and Investments	<u>\$ 5,460,985</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 1,994
Deposits with Financial Institutions	3,416,492
Local Agency Investment Fund	902,296
Held by Fiscal Agent:	
Money Market Mutual Funds	<u>1,140,203</u>
Total Cash and Investments	<u>\$ 5,460,985</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, 2013

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, 2013 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund	\$ 902,296	N/A
Held by Bond Trustee:		
Money Market Mutual Funds	<u>1,140,203</u>	N/A
Total	<u>\$ 2,042,499</u>	

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund	\$ 902,296	N/A	\$ 902,296
Held by Bond Trustee:			
Money Market Mutual Funds	<u>1,140,203</u>	N/A	<u>1,140,203</u>
Total	<u>\$ 2,042,499</u>		<u>\$ 2,042,499</u>

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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
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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.	1,488,129
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Note receivable from Parlier Avila Associates relating to low-income apartments. The loan is payable from residual receipts over 55 years or when property ownership is transferred. The proceeds for the loan are provided through the Home Investment Partnerships Program.	4,844,149
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CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 4 – Notes Receivable (Continued)

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.	227,483
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>\$ 8,765,805</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 5 – 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>
Major Governmental Funds:		
General Fund	\$ -	\$ (14,739)
Local Transportation Fund	-	(4,229)
Housing Grant	11,179	
CDBG Housing Fund	77,136	-
Enterprise Funds:		
Water	-	(69,347)
	<u>\$ 88,315</u>	<u>\$ (88,315)</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 6 – Capital Assets

Capital asset activities for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,685,010	\$ -	\$ -	\$ 1,685,010
Construction in progress	1,125,126	-	(1,125,126)	-
Total capital assets, not being depreciated	<u>2,810,136</u>	<u>-</u>	<u>(1,125,126)</u>	<u>1,685,010</u>
Capital assets, being depreciated				
Buildings and improvements	2,454,020	-	-	2,454,020
Infrastructure	523,134	1,125,126	-	1,648,260
Machinery and equipment	897,539	5,000	-	902,539
Total capital assets, being depreciated	<u>3,874,693</u>	<u>1,130,126</u>	<u>-</u>	<u>5,004,819</u>
Less accumulated depreciation for:				
Buildings and improvements	(799,802)	(74,294)	-	(874,096)
Infrastructure	(103,663)	(41,206)	-	(144,869)
Machinery and equipment	(753,564)	(51,157)	-	(804,721)
Total accumulated depreciation	<u>(1,657,029)</u>	<u>(166,657)</u>	<u>-</u>	<u>(1,823,686)</u>
Total capital assets, being depreciated, net	<u>2,217,664</u>	<u>963,469</u>	<u>-</u>	<u>3,181,133</u>
Governmental activities capital assets, net	<u>\$ 5,027,800</u>	<u>\$ 963,469</u>	<u>\$ (1,125,126)</u>	<u>\$ 4,866,143</u>
<u>Business-Type Activities</u>				
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>2,710,476</u>	<u>-</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>(5,061,170)</u>	<u>(292,949)</u>	<u>-</u>	<u>(5,354,119)</u>
Total capital assets, being depreciated, net	<u>5,160,394</u>	<u>(292,949)</u>	<u>-</u>	<u>4,867,445</u>
Business-type activities capital assets, net	<u>\$ 7,870,870</u>	<u>\$ (292,949)</u>	<u>\$ -</u>	<u>\$ 7,577,921</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 6 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	27,612
Public Safety		52,209
Public Works and Development		27,850
Parks and Recreation		58,986
	\$	<u>166,657</u>

Business-Type Functions:

Water	\$	122,228
Sewer		170,721
	\$	<u>292,949</u>

Note 7 – 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, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<u>Business-Type Activity Long Term Debt</u>					
Bonds Payable					
1974 West Parlier Water Revenue Bond	\$ 12,000	\$ -	\$ (12,000)	\$ -	\$ -
1980 Water Revenue Bond	146,000	-	(22,000)	124,000	23,000
1987 Parlier Sewer Revenue Bond	726,000	-	(31,000)	695,000	32,000
1994 Sewer Revenue Bond	1,195,000	-	(35,000)	1,160,000	35,000
Note Payable					
California Department of Water Resource	<u>226,349</u>	<u>-</u>	<u>(23,362)</u>	<u>202,987</u>	<u>26,135</u>
Total Business-Type Activity Debt	<u>\$ 2,305,349</u>	<u>\$ -</u>	<u>\$ (123,362)</u>	<u>\$ 2,181,987</u>	<u>\$ 116,135</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 313,153</u>	<u>\$ -</u>	<u>\$ (124,980)</u>	<u>\$ 188,173</u>	
Business-Type Activities	<u>\$ 146,687</u>	<u>\$ -</u>	<u>\$ (27,029)</u>	<u>\$ 119,658</u>	

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2013 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. The Bonds were retired during the current fiscal year.

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, 2013 was:

Years ending June 30,	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	116,135	104,944
2015	119,947	99,633
2016	128,775	94,154
2017	131,654	88,226
2018	134,536	82,194
2019-2023	533,929	329,359
2024-2028	605,000	196,300
2029-2033	410,000	63,250
	<u>\$ 2,179,976</u>	<u>\$ 1,058,060</u>

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 8 – 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, 2013:

Governmental Funds	
Housing Grant	<u>\$ (137,020)</u>
Enterprise Funds	
Disposal	<u>\$ (102,037)</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 9 – 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 20.053 percent for non-safety employees and 17.816 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, 2013, the City's annual pension cost of \$342,350 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) 7.5 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 17 years.

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, 2011	\$ 500,576	100%	-
June 30, 2012	\$ 503,407	100%	-
June 30, 2013	\$ 342,350	100%	-

CITY OF PARLIER

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 10 – 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, 2013

Note 11 – 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 \$692,368 for preschool reimbursements. The following administration costs, not to exceed 15 percent of the grant expenditures, were incurred:

	<u>CSPP-2062</u>
Accounting	\$ 6,000
Oversight	7,723
	<u>\$ 13,723</u>

Note 12 - 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 13 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through November 21, 2013, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	
Revenue				
Taxes	\$ 1,720,486	\$ 1,720,486	\$ 2,033,304	\$ 312,818
Intergovernmental	249,205	249,205	477,012	227,807
Charges for services	226,114	226,114	188,563	(37,551)
Licenses and permits	30,810	30,810	31,866	1,056
Fines and forfeitures	40,494	40,494	45,009	4,515
Interest and rents	421,036	421,036	410,290	(10,746)
Sale of equipment	-	-	8,140	8,140
Other	183,999	183,999	102,243	(81,756)
Total revenue	<u>2,872,144</u>	<u>2,872,144</u>	<u>3,296,427</u>	<u>424,283</u>
Expenditures				
Current				
General government	359,011	359,011	189,424	169,587
Public safety	2,576,784	2,576,784	2,680,374	(103,590)
Public works	73,290	73,290	113,634	(40,344)
Community development	128,851	128,851	453,668	(324,817)
Parks and recreation	301,568	301,568	268,577	32,991
Capital outlay	20,100	20,100	5,000	15,100
Total expenditures	<u>3,459,604</u>	<u>3,459,604</u>	<u>3,710,677</u>	<u>(251,073)</u>
Revenue over (under) expenditures	(587,460)	(587,460)	(414,250)	173,210
Other Financing Sources				
Transfers in (out), net	-	-	(14,739)	(14,739)
Net Change in Fund Balance	<u>\$ (587,460)</u>	<u>\$ (587,460)</u>	<u>(428,989)</u>	<u>\$ 158,471</u>
Fund Balance				
Beginning of year			639,750	
End of year			<u>\$ 210,761</u>	

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE

GAS TAX FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 264,836	\$ 264,836	\$ 332,152	\$ 67,316
Interest and rent	900	900	1,113	213
Total revenue	<u>265,736</u>	<u>265,736</u>	<u>333,265</u>	<u>67,529</u>
Expenditures				
Current				
Public Works	58,474	58,474	138,292	(79,818)
Capital Outlay	-	-	-	-
Total expenditures	<u>58,474</u>	<u>58,474</u>	<u>138,292</u>	<u>(79,818)</u>
Revenue over (under)expenditures	<u>\$ 207,262</u>	<u>\$ 207,262</u>	194,973	<u>\$ (12,289)</u>
Fund Balance				
Beginning of year			827,016	
End of year			<u>\$ 1,021,989</u>	

CITY OF PARLIER**BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ -	\$ -	\$ 555,088	\$ 555,088
	-	-	980	980
Total revenue	-	-	556,068	556,068
Expenditures				
Current				
Public works	111,147	111,147	442,743	(331,596)
Total expenditures	111,147	111,147	442,743	(331,596)
Revenue over/(under) expenditures	(111,147)	(111,147)	113,325	224,472
Other Financing Sources				
Transfers in (out), net	-	-	(4,229)	(4,229)
Change in Fund Balance	<u>\$ (111,147)</u>	<u>\$ (111,147)</u>	109,096	<u>\$ 220,243</u>
Fund Balance				
Beginning of year			829,125	
End of year			<u>\$ 938,221</u>	

CITY OF PARLIER**BUDGETARY COMPARISON SCHEDULE
HOUSING GRANT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue				
Intergovernmental	\$ 2,312,540	\$ 2,312,540	\$ 5,291,924	\$ 2,979,384
Total revenue	<u>2,312,540</u>	<u>2,312,540</u>	<u>5,291,924</u>	<u>2,979,384</u>
Expenditures				
Current				
Community Development	568,189	568,189	5,417,535	(4,849,346)
Capital outlay	<u>1,380,000</u>	<u>1,380,000</u>	-	<u>1,380,000</u>
Total expenditures	<u>1,948,189</u>	<u>1,948,189</u>	<u>5,417,535</u>	<u>(3,469,346)</u>
Revenue over/(under) expenditures	<u>364,351</u>	<u>364,351</u>	<u>(125,611)</u>	<u>(489,962)</u>
Other Financing Sources				
Transfers in (out), net	<u>-</u>	<u>-</u>	<u>11,179</u>	<u>11,179</u>
Change in Fund Balance	<u>\$ 364,351</u>	<u>\$ 364,351</u>	<u>(114,432)</u>	<u>\$ (478,783)</u>
Fund Balance				
Beginning of year			<u>(22,588)</u>	
End of year			<u>\$ (137,020)</u>	

CITY OF PARLIER**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 1,680,865	\$ 1,680,865	\$ 907,216	\$ (773,649)
Interest and rent	-	-	1,364	1,364
Total revenue	<u>1,680,865</u>	<u>1,680,865</u>	<u>908,580</u>	<u>(772,285)</u>
Expenditures				
Current				
Community development	1,389,805	1,389,805	950,661	439,144
Capital outlay	-	-	-	-
Total expenditures	<u>1,389,805</u>	<u>1,389,805</u>	<u>950,661</u>	<u>439,144</u>
Revenue over/(under)				
expenditures	291,060	291,060	(42,081)	(333,141)
Other Financing Sources				
Transfers in (out), net	<u>350,000</u>	<u>350,000</u>	<u>77,136</u>	<u>(272,864)</u>
Total other financing sources	<u>350,000</u>	<u>350,000</u>	<u>77,136</u>	<u>(272,864)</u>
Change in Fund Balance	<u>\$ 641,060</u>	<u>\$ 641,060</u>	35,055	<u>\$ (606,005)</u>
Fund Balance				
Beginning of year			<u>277,325</u>	
End of year			<u>\$ 312,380</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF PARLIER

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2013

	Special Revenue Funds				Capital Projects Fund	Total Non-major Governmental Funds
	Measure C	Low-Moderate Housing Asset	Landscape Maintenance	Day Care	Development Impact Fees	
ASSETS						
Cash and investments	\$ 783,746	\$ -	\$ 75,178	\$ -	\$ 186,125	\$ 1,045,049
Accounts receivable	24,534	-	-	-	-	24,534
Due from other governments	-	-	-	85,711	-	85,711
Interest receivable	289	-	25	-	138	452
Notes receivable	-	1,310,000	-	-	-	1,310,000
Total assets	\$ 808,569	\$ 1,310,000	\$ 75,203	\$ 85,711	\$ 186,263	\$ 2,465,746
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued expense	\$ 16,678	\$ -	\$ 154	\$ 40,232	\$ 6,142	\$ 63,206
Deferred revenue	-	1,310,000	-	4,545	-	1,314,545
Due to other funds	-	-	-	40,934	-	40,934
Total liabilities	16,678	1,310,000	154	85,711	6,142	1,418,685
Fund Balance						
Restricted						
Circulation improvements	791,891	-	-	-	-	791,891
Capital improvement projects	-	-	-	-	180,121	180,121
Lighting, landscape & park maintenance	-	-	75,049	-	-	75,049
Unassigned	-	-	-	-	-	-
Total fund balance	791,891	-	75,049	-	180,121	1,047,061
Total liabilities and fund balance	\$ 808,569	\$ 1,310,000	\$ 75,203	\$ 85,711	\$ 186,263	\$ 2,465,746

CITY OF PARLIER

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2013

	Special Revenue Funds				Capital Projects		Total Non-major Governmental Funds
	Measure C	Low-Moderate Housing Asset	Landscape Maintenance	Day Care	Fund	Development Impact Fees	
Revenue							
Taxes	\$ -	\$ -	\$ 45,157	\$ -	\$ -	\$ -	\$ 45,157
Intergovernmental	354,178	-	-	669,846	-	-	1,024,024
Charges for services	-	-	-	46,478	-	-	46,478
Licenses, permits, and impact fees	-	-	-	-	-	7,319	7,319
Interest	867	-	-	-	-	-	867
Total revenue	<u>355,045</u>	<u>-</u>	<u>45,157</u>	<u>716,324</u>	<u>-</u>	<u>7,319</u>	<u>1,123,845</u>
Expenditures							
Public works	225,167	-	45,285	-	-	-	270,452
Community development	-	-	-	-	-	-	-
Day care	-	-	-	716,324	-	-	716,324
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>225,167</u>	<u>-</u>	<u>45,285</u>	<u>716,324</u>	<u>-</u>	<u>-</u>	<u>986,776</u>
Revenue over (under) expenditures	129,878	-	(128)	-	-	7,319	137,069
Other financing sources/(uses)							
Transfers in/(out), net	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Change in Fund Balance	129,878	-	(128)	-	-	7,319	137,069
Fund Balance							
Beginning of year	662,013	-	75,177	-	-	172,802	909,992
End of year	<u>\$ 791,891</u>	<u>\$ -</u>	<u>\$ 75,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,121</u>	<u>\$ 1,047,061</u>

See accompanying notes.

CITY OF PARLIER

DAY CARE CENTER BALANCE SHEET JUNE 30, 2013

	<u>Preschool Program</u>	<u>One-Time Only</u>	<u>Memo Total</u>
ASSETS			
Cash	\$ (45,479)	\$ 4,545	\$ (40,934)
Accounts receivable	-	-	-
Accounts receivable, State	85,711	-	85,711
Total assets	<u>\$ 40,232</u>	<u>\$ 4,545</u>	<u>\$ 44,777</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable - Trade	\$ 39,843	\$ -	\$ 39,843
Deferred revenue	389	4,545	4,934
Total liabilities	<u>40,232</u>	<u>4,545</u>	<u>44,777</u>
Fund Balance			
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, 2013

	<u>Preschool Program</u>	<u>One-Time Only Funds</u>
REVENUES & SUPPORT		
State apportionments - Child Development Program	\$ 669,846	\$ -
State apportionments - One Time Only	-	-
Parent fees - Certified	<u>46,478</u>	<u>-</u>
Total revenues and support	<u>716,324</u>	<u>-</u>
EXPENSES		
Certified salaries:		
Teachers' salaries	57,063	-
Classified salaries:		
Instructional aides salaries	376,989	-
Other salaries	-	-
Employee benefits	70,950	-
Instructional supplies	17,044	-
Other supplies and groceries	112,386	-
Travel and conferences	5,984	-
Insurance	1,303	-
Utilities and housekeeping	28,797	-
Rents	-	-
Other operating expenditures	45,808	-
Equipment	<u>-</u>	<u>-</u>
Total expenses	<u>716,324</u>	<u>-</u>
Increase in Fund Balances	-	-
Fund Balances		
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, 2013

		Preschool Program CSPP-2062
Expenditures		
1000	Certified Personnel Salaries	\$ 57,063
2000	Classified Personnel Salaries	376,989
3000	Employee Benefits	70,950
4000	Books and Supplies	129,430
5000	Services and Other Operating Expenses	81,892
6000	Capital Outlay	-
	Indirect Costs	-
Total expenses claimed for reimbursement		<u>\$ 716,324</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, 2013

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

CITY OF PARLIER

DAY CARE CENTER SCHEDULE OF EQUIPMENT EXPENDITURES YEAR ENDED JUNE 30, 2013

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

CITY OF PARLIER

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE DAY CARE AWARDS YEAR ENDED JUNE 30, 2013

Grantor	Federal CFDA Number	Grantor's Number	Award Amount			Expenditures		
			Federal	State	Total	Federal	State	Total
Department of Education								
Passed-through California Department of Education								
Preschool Program	93.575	CSPP-2062	\$ 160,767	\$ 556,952	\$ 717,719	\$ 160,767	\$ 509,079	\$ 669,846
Renovation and Repairs	N/A	CRPM-1008	-	20,000	20,000	-	-	-
			<u>\$ 160,767</u>	<u>\$ 576,952</u>	<u>\$ 737,719</u>	<u>\$ 160,767</u>	<u>\$ 509,079</u>	<u>\$ 669,846</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Day Care 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 – CHILD CARE PROGRAM YEAR ENDED JUNE 30, 2013

None

AUDITED ATTENDANCE AND FISCAL REPORT**for California State Preschool Programs**Agency Name: CITY OF PARLIER Vendor No. 10 2190Fiscal Year Ended: June 30, 2013 Contract No. CSPP-2062Independent Auditor's Name: BRYANT JOLLEY CPA

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	6,979	(42)	6,937	1.0000	6,937.000
Three-quarters-time	-		-	0.7500	-
One-half-time	-		-	0.6172	-
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	12,629	6	12,635	1.1000	13,898.500
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	19,608	(36)	19,572		20,835.500
DAYS OF OPERATION	248	-	248		
DAYS OF ATTENDANCE	19,607	(36)	19,571		

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

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

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: CITY OF PARLIER Vendor No. 10 2190Fiscal Year End: June 30, 2013 Contract No. CSPP-2062

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
Transfer from Reserve Contract #			0
Contract #			0
Family Fees for Certified Children Contract # CSPP 2062	46,478		46,478
Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
TOTAL REVENUE	\$46,478	\$0	\$46,478

SECTION IV - REIMBURSABLE EXPENSES

1000 Certificated Salaries	\$252,016	(\$194,953)	\$57,063
2000 Classified Salaries	156,013	220,976	376,989
3000 Employee Benefits	83,644	(12,694)	70,950
4000 Books and Supplies	47,366	82,064	129,430
5000 Services and Other Operating Expenses	168,862	(86,970)	81,892
6100/6200 Other Approved Capital Outlay	23,644	(23,644)	0
6400 New Equipment (program-related)	22,676	(22,676)	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)	14,196	(14,196)	0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$768,417	(\$52,093)	\$716,324
TOTAL ADMINISTRATIVE COSTS (Included in section IV above)	\$16,723	(\$3,000)	\$13,723

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. 2190Fiscal Year End: June 30, 2013 Contract No. CRPM1008Multi-Year Contract? (Check "No" Box **or** Enter Contract Period): No: ☐ **or** Period: 06/30/13

Independent Auditor's Name: _____

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR 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
SECTION I - REVENUE				
RESTRICTED INCOME				
Match Requirement	\$0	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
				0
Subtotal	\$0	\$0	\$0	\$0
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME				
Other (Specify):				0
				0
TOTAL REVENUE	\$0	\$0	\$0	\$0
SECTION II - REIMBURSABLE EXPENSES				
1000 Certificated Salaries	\$0	\$0	\$0	\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (<i>program-related</i>)				0
6500 Replacement Equipment (<i>program-related</i>)	455			455
Depreciation or Use Allowance				0
Indirect Costs. Rate: 0.00%				0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$455	\$0	\$0	\$455
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 REPORTAgency Name: CITY OF PARLIERFiscal Year End: June 30, 2013Vendor No. 2190Independent Auditor's Name: BRYANT JOLLEY CPA**RESERVE ACCOUNT TYPE (Check One):**

- ☐ Center Based
- ☐ Resource and Referral
- ☐ Alternative Payment

COLUMN A**PER AGENCY****COLUMN B**AUDIT
ADJUSTMENT
INCREASE OR
(DECREASE)**COLUMN C****PER AUDIT****LAST YEAR:**

1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$384	\$0	\$384
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.	\$0	\$0	\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)	\$0		\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$384	\$0	\$384

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$5	\$0	\$5
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No.	\$0	\$0	\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account	0	0	0
7. Ending Balance on June 30, 2013 (column A must agree with this year's CDFS 9530-A, Section IV)	\$389	\$0	\$389

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 *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the the deficiencies described in items 2013-01 through 2013-05 in the accompany schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

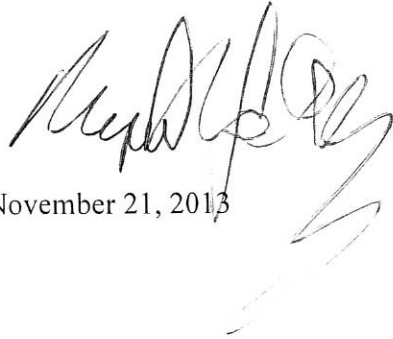
As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Parlier, CA Response to Findings

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

Purpose of this Report

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



November 21, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Parlier, California's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2013. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Parlier, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

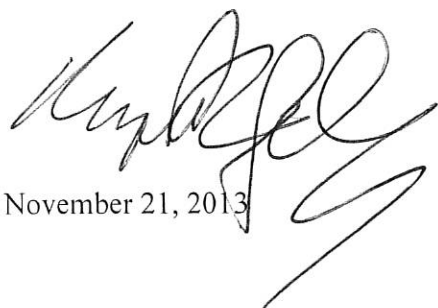
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to be "K. J. [unclear]", is written over the date.

November 21, 2013

CITY OF PARLIER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2013

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	\$ 243,670
First Time Home Buyers/Owner-Occupied Rehab	14.239	11-HOME-7656	286,217
First Time Home Buyers/Owner-Occupied Rehab	14.239	08-HOME-4988	4,939,149
			<u>5,469,036</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	10-STBG-6732	<u>193,985</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	11-PTEC-7638	29,089
Community Development Block Grant	14.228	12-CDBG-8406	4,800
			<u>33,889</u>
U.S. Department of Agriculture			
ARRA Community Facilities Grant	10.780	N/A	<u>4,392</u>
U.S. Department of Justice			
ARRA COPS Hiring Recovery Program	16.710	2011-UM-WX-0020	96,653
ARRA COPS Hiring Recovery Program	16.710	2009-RK-WX-0099	77,144
			<u>173,797</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>192,448</u>
U.S. Department of Education			
Pass-through from the California Department of Education			
California State Preschool	93.575	CSPP-2062	<u>160,767</u>

CITY OF PARLIER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2013

<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. Department of Justice			
Justice Assistance Grant	16.738	2011-DJ-BX-3093	9,218
Justice Assistance Grant	16.738	2012-DJ-BX-0983	6,711
			<u>15,929</u>
U.S. Department of Commerce			
Public Works and Economic Development Facilities Program	11.300	N/A	<u>279,415</u>
<i>Total Federal Expenditures</i>			<u>\$ 6,523,658</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, 2013

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- | | | | | |
|--|-------------------------------------|-----|-------------------------------------|---------------|
| • Material weaknesses identified? | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |
| • Non-compliance material to financial statements noted? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|--|--------------------------|-----|-------------------------------------|---------------|
| • Material weaknesses identified? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | 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?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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Identification of Major Programs

CFDA Number

Name of Federal Program or Cluster

14.239

Home Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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CITY OF PARLIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2013

B. Findings – Financial Statements Audit

2013-01 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, 2013, 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, 2013, 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 delay in the year end closing due implementation of a new accounting software. Management plans to remedy the situation by training employees on how to perform their daily tasks. With the implementation of the new accounting software, management will train staff regarding best practices to ensure each account is reviewed and reconciled on a timely basis.

CITY OF PARLIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2013

2013-02 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, 2013.

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 PARLIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2013

2013-03 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 is implementing procedures to properly record grant activity with the implementation of the new accounting software.

CITY OF PARLIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2013

2013-04 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 PARLIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2013

2013-05 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 has begun to train staff responsible for the coding process to be proficient in where each deposit and disbursement should be coded. A new chart of accounts has also been developed to simplify coding. 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, 2013

Summary Schedule of Prior Audit Findings

2012-1 – Not Implemented

2012-2 – Implemented

2012-3 – Not Implemented

2012-4 – Implemented

2012-5 – Not Implemented

2012-6 – Not Implemented

2012-7 – Not Implemented