

CITY OF PARLIER

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parlier, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 43 - 46, the proportionate share of net pension liability on page 48, and the schedule of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

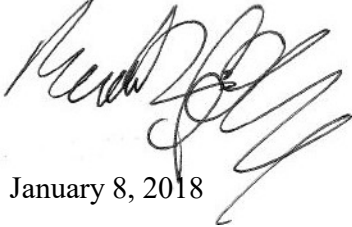
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and Day Care Center schedules on pages 50 - 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

January 8, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PARLIER

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 4,725,413	\$ 973,903	\$ 5,699,316
Accounts receivable	35,308	570,533	605,841
Due from other governments	560,357	28,295	588,652
Internal balances	(1,422,317)	1,422,317	-
Interest receivable	1,163	847	2,010
Deposits	88,805	-	88,805
Notes receivable	14,195,071	-	14,195,071
Related notes receivables	62,787	-	62,787
Capital assets:			
Non-depreciable	2,365,981	2,594,636	4,960,617
Depreciable (net)	3,184,667	4,477,975	7,662,642
Total assets	<u>23,797,235</u>	<u>10,068,506</u>	<u>33,865,741</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>758,496</u>	<u>260,115</u>	<u>1,018,611</u>
Total deferred outflow of resources	<u>758,496</u>	<u>260,115</u>	<u>1,018,611</u>
LIABILITIES			
Accounts payable and accrued expenses	445,336	267,090	712,426
Accrued interest	-	42,588	42,588
Deposits	6,945	138,857	145,802
Net pension liability	1,212,932	438,808	1,651,740
Noncurrent liabilities:			
Due within one year:			
Bonds payable	-	79,000	79,000
Capital lease payable	-	34,172	34,172
Note payable	-	29,536	29,536
Compensated absences	42,962	14,804	57,766
Due in more than one year:			
Bonds payable	-	1,487,000	1,487,000
Capital lease payable	-	294,234	294,234
Note payable	-	61,873	61,873
Compensated absences	100,245	34,540	134,785
Total liabilities	<u>1,808,420</u>	<u>2,922,502</u>	<u>4,730,922</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>200,597</u>	<u>66,645</u>	<u>267,242</u>
Total deferred inflows of resources	<u>200,597</u>	<u>66,645</u>	<u>267,242</u>
NET POSITION			
Net investment in capital assets	5,550,648	5,086,796	10,637,444
Restricted for debt service	-	161,000	161,000
Restricted for public works	4,641,870	-	4,641,870
Restricted for day care	25,698	-	25,698
Restricted for community development	11,417	-	11,417
Unrestricted	12,317,081	2,091,678	14,408,759
Total net position	<u>\$ 22,546,714</u>	<u>\$ 7,339,474</u>	<u>\$ 29,886,188</u>

CITY OF PARLIER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expense	Program Revenue			Net Revenue (Expense) and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 401,735	\$ -	\$ -	\$ -	\$ (401,735)	\$ -	\$ (401,735)
Public safety	1,880,496	53,250	200,288	8,424	(1,618,534)	-	(1,618,534)
Public works	611,954	-	1,287,899	42,353	718,298	-	718,298
Community development	781,501	22,073	1,420,844	-	661,416	-	661,416
Parks and recreation	230,187	36,132	7,880	-	(186,175)	-	(186,175)
Day care	923,749	43,354	857,274	-	(23,121)	-	(23,121)
Total governmental activities	4,829,622	154,809	3,774,185	50,777	(849,851)	-	(849,851)
Business-type activities:							
Water	1,325,259	1,445,393	-	49,391	-	169,525	169,525
Sewer	1,369,050	1,260,699	153,010	72,163	-	116,822	116,822
Disposal	1,074,343	1,105,972	-	-	-	31,629	31,629
Total business-type activities	3,768,652	3,812,064	153,010	121,554	-	317,976	317,976
Total primary government	\$ 8,598,274	\$ 3,966,873	\$ 3,927,195	\$ 172,331	(849,851)	317,976	(531,875)
General revenues:							
Property taxes					580,298	-	580,298
Motor vehicle taxes					1,200,973	-	1,200,973
Sales taxes					379,132	-	379,132
Franchise taxes					201,943	-	201,943
Licenses and permits					415,828	-	415,828
Interest and rent					59,502	2,734	62,236
Sale of asset					134,209	-	134,209
Other					31,598	34,200	65,798
Total general revenues and transfers					3,003,483	36,934	3,040,417
Changes in net position					2,153,632	354,910	2,508,542
Net position - beginning					20,393,082	6,984,564	27,377,646
Net position - ending					\$ 22,546,714	\$ 7,339,474	\$ 29,886,188

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

FUND FINANCIAL STATEMENTS

CITY OF PARLIER

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

	General	Housing Grants	Community Development	Day Care	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 4,725,413	\$ 4,725,413
Accounts receivable	9,308	-	-	26,000	-	35,308
Due from other governments	89,331	215,320	106,992	104,030	44,684	560,357
Interest receivable	21	-	-	-	1,142	1,163
Deposits	-	88,805	-	-	-	88,805
Notes receivable, net	665,454	10,822,020	2,707,597	-	-	14,195,071
Related party receivables	62,787	-	-	-	-	62,787
Total assets	<u>\$ 826,901</u>	<u>\$ 11,126,145</u>	<u>\$ 2,814,589</u>	<u>\$ 130,030</u>	<u>\$ 4,771,239</u>	<u>\$ 19,668,904</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 207,146	\$ 54,807	\$ 41,048	\$ 12,966	\$ 129,369	\$ 445,336
Deposits	6,945	-	-	-	-	6,945
Due to other funds	997,942	237,901	95,108	91,366	-	1,422,317
Total liabilities	<u>1,212,033</u>	<u>292,708</u>	<u>136,156</u>	<u>104,332</u>	<u>129,369</u>	<u>1,874,598</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	106,992	-	-	106,992
Deferred loans	-	10,822,020	2,664,912	-	-	13,486,932
Total deferred inflows of resources	<u>-</u>	<u>10,822,020</u>	<u>2,771,904</u>	<u>-</u>	<u>-</u>	<u>13,593,924</u>
FUND BALANCES						
Nonspendable:						
Notes receivable	665,454	-	2,707,597	-	-	3,373,051
Restricted:						
Public Works	-	-	-	-	4,641,870	4,641,870
Day Care	-	-	-	25,698	-	25,698
Community Development	-	11,417	-	-	-	11,417
Unassigned	(1,050,586)	-	(2,801,068)	-	-	(3,851,654)
Total fund balances	<u>(385,132)</u>	<u>11,417</u>	<u>(93,471)</u>	<u>25,698</u>	<u>4,641,870</u>	<u>4,200,382</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 826,901</u>	<u>\$ 11,126,145</u>	<u>\$ 2,814,589</u>	<u>\$ 130,030</u>	<u>\$ 4,771,239</u>	<u>\$ 19,668,904</u>

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

CITY OF PARLIER

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2017

Total fund balances - governmental funds	\$ 4,200,382
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,550,648
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	13,593,924
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(143,207)
Net pension liability and related deferred inflows of resources and outflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	<u>(655,033)</u>
Net position of governmental activities	<u>\$ 22,546,714</u>

CITY OF PARLIER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	General	Housing Grants	Community Development	Day Care	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 2,312,526	\$ -	\$ -	\$ -	\$ 49,820	\$ 2,362,346
Intergovernmental	192,624	14,850	63,617	857,274	1,241,314	2,369,679
Charges for services	98,828	6,000	-	43,354	-	148,182
Licenses, permits and impact fees	337,124	-	-	-	78,568	415,692
Fines and forfeitures	22,179	-	-	-	-	22,179
Interest and rent	55,456	2,753	-	-	3,728	61,937
Loan repayments	-	-	7,026	-	-	7,026
Other	52,577	6,353	315	3	-	59,248
Total revenues	3,071,314	29,956	70,958	900,631	1,373,430	5,446,289
EXPENDITURES						
Current:						
General government	426,743	-	-	-	-	426,743
Public safety	1,958,299	-	-	-	-	1,958,299
Public works	39,380	-	2,659	-	508,291	550,330
Community development	532,095	175,275	53,805	-	-	761,175
Parks and recreation	164,900	-	-	-	-	164,900
Day care	802	-	-	876,433	-	877,235
Capital outlay	9,979	-	84,921	-	198,217	293,117
Total expenditures	3,132,198	175,275	141,385	876,433	706,508	5,031,799
Excess (deficiency) of revenues over (under) expenditures	(60,884)	(145,319)	(70,427)	24,198	666,922	414,490
OTHER FINANCING SOURCES (USES)						
Sale of asset	134,209	-	-	-	-	134,209
Transfers in	4,530	-	11,346	-	-	15,876
Transfers out	(4,530)	(11,346)	-	-	-	(15,876)
Total other financing sources (uses)	134,209	(11,346)	11,346	-	-	134,209
Change in fund balances	73,325	(156,665)	(59,081)	24,198	666,922	548,699
Fund balances - beginning	(458,457)	168,082	(34,390)	1,500	3,974,948	3,651,683
Fund balances - ending	\$ (385,132)	\$ 11,417	(93,471)	\$ 25,698	\$ 4,641,870	\$ 4,200,382

CITY OF PARLIER

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

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

Net change in fund balances - total governmental funds	\$ 548,699
Compensated absences costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	14,722
Governmental funds report capital outlays as expenditures. However, in the statement of activities and changes in net position the cost of those assets is capitalized as an asset and depreciated over the period of service.	293,117
Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not required as an expenditure in governmental funds.	(170,806)
Some amounts included in the statement of activities do not provide (or require the use of current financial resources and, therefore, are not reported as revenue or expenditures in the governmental fund (net change):	
Unavailable revenue	21,891
Deferred loans	1,380,864
Change in pension liability	<u>65,145</u>
Change in net position of governmental activities	<u>\$ 2,153,632</u>

CITY OF PARLIER

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2017

	Business-Type Activities			
	Water	Sewer	Disposal	Total
ASSETS				
Current assets:				
Cash and investments	\$ 973,903	\$ -	\$ -	\$ 973,903
Accounts receivable, net	307,556	161,137	101,840	570,533
Due from other governments	-	28,295	-	28,295
Due from other funds	2,057,054	-	-	2,057,054
Interest receivable	733	114	-	847
Total current assets	3,339,246	189,546	101,840	3,630,632
Noncurrent assets:				
Property, plant and equipment (net of allowance for depreciation)	1,521,552	5,551,059	-	7,072,611
Total noncurrent assets	1,521,552	5,551,059	-	7,072,611
Total assets	4,860,798	5,740,605	101,840	10,703,243
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	106,338	107,984	45,793	260,115
Total deferred outflows of resources	106,338	107,984	45,793	260,115
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	50,663	63,398	153,029	267,090
Accrued interest	924	41,664	-	42,588
Deposits	138,857	-	-	138,857
Due to other funds	-	561,125	73,612	634,737
Bonds payable	-	79,000	-	79,000
Capital lease	-	34,172	-	34,172
Notes payable	29,536	-	-	29,536
Compensated absences	7,074	7,074	656	14,804
Total current liabilities	227,054	786,433	227,297	1,240,784
Noncurrent liabilities:				
Bonds payable	-	1,487,000	-	1,487,000
Capital lease	-	294,234	-	294,234
Notes payable	61,873	-	-	61,873
Compensated absences	16,505	16,505	1,530	34,540
Net pension liability	179,391	182,167	77,250	438,808
Total noncurrent liabilities	257,769	1,979,906	78,780	2,316,455
Total liabilities	484,823	2,766,339	306,077	3,557,239
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	27,245	27,667	11,733	66,645
Total deferred inflows of resources	27,245	27,667	11,733	66,645
NET POSITION				
Net investment in capital assets	1,430,143	3,656,653	-	5,086,796
Restricted for debt service	-	161,000	-	161,000
Unrestricted (deficit)	3,024,925	(763,070)	(170,177)	2,091,678
Total net position	\$ 4,455,068	\$ 3,054,583	\$ (170,177)	\$ 7,339,474

CITY OF PARLIER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Operating revenues:				
Charges for services	\$ 1,434,635	\$ 1,252,086	\$ 1,105,972	\$ 3,792,693
Connection fees	10,758	8,613	-	19,371
Other revenue	25,783	3,414	5,000	34,197
Total operating revenues	1,471,176	1,264,113	1,110,972	3,846,261
Operating expenses:				
Contractual services and utilities	710,429	918,956	1,001,025	2,630,410
Personnel	377,820	57,881	67,688	503,389
Supplies and materials	73,143	56,675	5,630	135,448
Depreciation	160,579	236,115	-	396,694
Total operating expenses	1,321,971	1,269,627	1,074,343	3,665,941
Operating income (loss)	149,205	(5,514)	36,629	180,320
Nonoperating revenues (expenses):				
Intergovernmental	-	153,010	-	153,010
Development impact fees	49,391	72,163	-	121,554
Interest income	2,368	366	-	2,734
Interest expense	(3,286)	(99,422)	-	(102,708)
Total nonoperating revenues (expenses)	48,473	126,117	-	174,590
Change in net position	197,678	120,603	36,629	354,910
Net position - beginning	4,257,390	2,933,980	(206,806)	6,984,564
Net position - ending	\$ 4,455,068	\$ 3,054,583	\$ (170,177)	\$ 7,339,474

CITY OF PARLIER

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,444,688	\$ 1,228,032	\$ 1,087,868	\$ 3,760,588
Cash payments to suppliers of goods or services	(796,415)	(982,052)	(931,129)	(2,709,596)
Cash payments to employees for services	(395,299)	(370,268)	(59,791)	(825,358)
Other operating cash receipts	-	-	5,000	5,000
Net cash provided (used) by operating activities	252,974	(124,288)	101,948	230,634
Cash flows from noncapital financing activities:				
Intergovernmental revenues - noncapital	-	124,715	-	124,715
Cash receipts from developers	49,391	72,163	-	121,554
Loans from/(to) other funds	(50,372)	227,639	(101,948)	75,319
Net cash provided (used) by noncapital financing activities	(981)	424,517	(101,948)	321,588
Cash flows from capital and related financing activities:				
Principal paid on bonds	-	(77,000)	-	(77,000)
Principal paid on lease	-	(32,489)	-	(32,489)
Principal paid on notes	(28,661)	-	-	(28,661)
Interest paid on long-term debt	(3,505)	(98,947)	-	(102,452)
Acquisition of capital assets	(54,419)	(92,104)	-	(146,523)
Net cash provided (used) by capital and related financing activities	(86,585)	(300,540)	-	(387,125)
Cash flows from investing activities:				
Interest received	2,071	311	-	2,382
Net cash provided (used) by investing activities	2,071	311	-	2,382
Net increase (decrease) in cash	167,479	-	-	167,479
Cash, beginning of year	806,424	-	-	806,424
Cash, end of year	\$ 973,903	\$ -	\$ -	\$ 973,903

CITY OF PARLIER

STATEMENT OF CASH FLOWS (continued) PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Operating income (loss)	\$ 149,205	\$ (5,514)	\$ 36,629	\$ 180,320
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	160,579	236,115	-	396,694
(Increase) decrease in:				
Accounts receivable	(29,276)	(36,081)	(18,104)	(83,461)
Deferred outflows of resources for pension	(70,209)	(6,016)	(34,640)	(110,865)
Increase (decrease) in:				
Accounts payable	(12,843)	(6,421)	75,526	56,262
Deposits and other liabilities	2,788	-	-	2,788
Deferred inflows of resources for pension	(43,348)	13,829	(24,819)	(54,338)
Net pension liability	97,503	(318,775)	67,431	(153,841)
Compensated absences	(1,425)	(1,425)	(75)	(2,925)
Net cash provided (used) by operating activities	<u>\$ 252,974</u>	<u>\$ (124,288)</u>	<u>\$ 101,948</u>	<u>\$ 230,634</u>

CITY OF PARLIER

STATEMENT OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2017

ASSETS

Cash and investments	\$ 405,306
Cash and investments with fiscal agent	968
Interest receivable	98
Prepays	29,042
Notes receivable	90,187
Land held for resale	<u>1,349,220</u>

Total assets	<u>\$ 1,874,821</u>
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LIABILITIES

Accounts payable	\$ 12,688
Long-term debt due within one year	340,081
Long-term debt due in more than one year	<u>9,910,151</u>

Total liabilities	<u>10,262,920</u>
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NET POSITION

Held in trust for other governments	<u>\$ (8,388,099)</u>
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CITY OF PARLIER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS

Property taxes	\$ 256,249
Investment earnings and other	<u>317</u>

Total additions	<u>256,566</u>
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DEDUCTIONS

Administrative expenses	118,216
Programs expenses	114,820
Interest and fiduciary expenses of former redevelopment agency	<u>348,521</u>

Total deductions	<u>581,557</u>
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Change in net position	(324,991)
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Net position - beginning	<u>(8,063,108)</u>
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Net position - ending	<u><u>\$ (8,388,099)</u></u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Parlier, California (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the government's accounting principles are described below.

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

Reporting Entity

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

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information for all of the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

Governmental Fund Financial Statements

The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements of net position and changes in net position presented in the government-wide financial statements.

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

The City reports the following major governmental funds:

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

Housing Fund – This fund is used to account for grant revenues and expenditures related to housing projects.

Community Development Fund – This fund is used to account for grant revenues and expenditures related to community development projects.

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

The City reports the following additional fund types:

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

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major enterprise funds:

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

Basis of Accounting

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

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipts occur within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

Assets, Liabilities and Net Position

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are recorded at amortized cost or fair value. Fair value is based upon quoted market prices.

Accounts Receivable – Billed by unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The proprietary funds include a year-end accrual for services through June 30, 2017, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

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

The City is permitted by Article 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 receivables/payables represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

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

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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

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

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

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

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

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

In the fund financial statements debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Government-Wide Financial Statements

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 5,699,316
Fiduciary Funds:	
Cash and investments	405,306
Cash and investments with fiscal agent	<u>968</u>
Total cash and investments	<u>\$ 6,105,590</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 760
Deposits with financial institutions	5,188,907
Local Agency Investment Fund	<u>915,923</u>
Total cash and investments	<u>\$ 6,105,590</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

The City had the following recurring fair value measurements as of June 30, 2017:

	Level 1	Level 2	Level 3	June 30, 2017 Balance
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$915,923	\$ -	\$ 915,923
Total Equity Securities	-	915,923	-	915,923
Investments carried at amortized cost:				
Deposits and cash on hand				5,189,667
Total Investments amortized at cost				5,189,667
Total Investments				\$ 6,105,590

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

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

Investments Authorized by Debt Agreements

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>		<u>Maturity Date</u>
Local Agency Investment Fund (LAIF)	<u>\$ 915,923</u>	N/A
Total	<u><u>\$ 915,923</u></u>	

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.

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year-End Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 915,923	N/A	\$ 915,923
Total	<u>\$ 915,923</u>		<u>\$ 915,923</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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

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

NOTE 3 – RECEIVABLES

Accounts receivable, net of allowance for uncollectibles, as of June 30, 2017 consist of the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Disposal Fund</u>	<u>Total</u>
Accounts receivable	\$ 447,021	\$ 252,252	\$ 193,738	\$ 893,011
Allowance for uncollectibles	<u>(139,465)</u>	<u>(91,115)</u>	<u>(91,898)</u>	<u>(322,478)</u>
Accounts receivable, net	<u>\$ 307,556</u>	<u>\$ 161,137</u>	<u>\$ 101,840</u>	<u>\$ 570,533</u>

	<u>General</u>	<u>Housing Grants</u>	<u>Community Development</u>	<u>Day Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts receivable	\$ 9,308	\$ -	\$ -	\$ 26,000	\$ -	\$ 35,308
Due from other governments	89,331	215,320	106,992	104,030	44,684	560,357
Interest receivable	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,142</u>	<u>1,163</u>
	<u>\$ 98,660</u>	<u>\$ 215,320</u>	<u>\$ 106,992</u>	<u>\$ 130,030</u>	<u>\$ 45,826</u>	<u>\$ 596,828</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 3 – RECEIVABLES (Continued)

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

Note receivable from Parlier Taxi relating to business assistance grant through EDBG grant. Principal and interest of 3.0% per annum are payable in monthly installments of \$322 through November 2019.	\$ 14,970
Notes receivable from various low income residents relating to housing assistance. The loans are payable in thirty years or when property ownership is transferred. The proceeds for the loans are provided through the State Housing Grant and charge 0% interest.	2,796,959
Note receivable from Parlier Avila Associates relating to low-income apartments. The loan is payable from residual receipts over 55 years or when property ownership is transferred. The proceeds for the loan are provided through the Home Investment Partnership Program.	8,542,149
Notes receivable from various individuals to assist in the purchase of homes for low to moderate income earners. These notes are all deferred and payment is not due for approximately 30 years.	2,147,824
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.	500,507
Notes receivable from Parlier City employees relating to employee benefit loans. Principal and interest of 3.0% per annum are payable in monthly installments.	62,787
Note receivable from Lloyd & Geri's, Inc. relating to a financial assistance loan through a business assistance grant. Principal and interest of 2.0% per annum are payable in monthly installments of \$450 through June 2018.	27,715
Note receivable from Parlier Affordable Housing, LP relating to the construction of the Salandini Villa Apartments. As long as Salandini Villa rents to low-income tenants, they will pay back a discounted amount of ten equal installments, without interest, of \$27,491 annually.	<u>164,947</u>
Total notes receivable	<u>\$ 14,257,858</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2017, is as follows:

Current Interfund Receivables/Payables

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

	Due From	Due to
Major Funds:		
Water Fund	\$ 2,057,054	\$ -
General Fund	-	997,942
Housing Fund	-	237,901
Sewer Fund	-	561,125
Disposal Fund	-	73,612
Day Care Fund	-	91,366
Community Development Fund	-	95,108
Total	<u>\$ 2,057,054</u>	<u>\$ 2,057,054</u>

Transfers Between Funds

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

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 4,530	\$ 4,530
Housing Grants	-	11,346
Community Development	11,346	-
Total	<u>\$ 15,876</u>	<u>\$ 15,876</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,727,610	\$ -	\$ -	\$ 1,727,610
Construction in progress	434,985	203,386	-	638,371
Total capital assets	2,162,595	203,386	-	2,365,981
Capital assets, being depreciated:				
Buildings and improvements	2,454,020	9,979	-	2,463,999
Infrastructure	1,998,545	79,752	-	2,078,297
Machinery and equipment	1,129,255	-	-	1,129,255
Total capital assets, being depreciated	5,581,820	89,731	-	5,671,551
Less accumulated depreciation for:				
Buildings and improvements	(1,081,221)	(66,536)	-	(1,147,757)
Infrastructure	(286,001)	(53,950)	-	(339,951)
Machinery and equipment	(948,856)	(50,320)	-	(999,176)
Total accumulated depreciation	(2,316,078)	(170,806)	-	(2,486,884)
Total capital assets, being depreciated, net	3,265,742	(81,075)	-	3,184,667
Governmental activities capital assets, net	\$ 5,428,337	\$ 122,311	\$ -	\$ 5,550,648
	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,594,636	\$ -	\$ -	\$ 2,594,636
Total capital assets, not being depreciated	2,594,636	-	-	2,594,636
Capital assets, being depreciated:				
Plant and equipment	11,362,635	146,522	-	11,509,158
Total capital assets, being depreciated	11,362,635	146,522	-	11,509,158
Less: accumulated depreciation	(6,634,489)	(396,694)	-	(7,031,183)
Total capital assets, being depreciated, net	4,728,146	(250,172)	-	4,477,975
Business-type activities capital assets, net	\$ 7,322,782	\$ (250,172)	\$ -	\$ 7,072,611

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	\$ 24,361
Public safety	44,705
Public works and development	42,753
Parks and recreation	<u>58,987</u>
Total	<u>\$ 170,806</u>
Business-Type Activities:	
Water	\$ 160,579
Sewer	<u>236,115</u>
Total	<u>\$ 396,694</u>

NOTE 6 – LONG-TERM DEBT

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

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Business-Type Activities					
Bonds payable:					
1987 Parlier Sewer Revenue Bond	\$ 593,000	\$ -	\$ (37,000)	\$ 556,000	\$ 39,000
1994 Sewer Revenue Bond	1,050,000	-	(40,000)	1,010,000	40,000
Capital lease:					
Vactor Truck Capital Lease	360,895	-	(32,489)	328,406	34,172
Note payable:					
California Department of Water Resources	<u>120,070</u>	<u>-</u>	<u>(28,661)</u>	<u>91,409</u>	<u>29,536</u>
Total business-type activities	<u>\$2,123,965</u>	<u>\$ -</u>	<u>\$ (138,150)</u>	<u>\$ 1,985,815</u>	<u>\$ 142,708</u>
Compensated Absences					
Governmental activities	\$ 157,929	\$ -	\$ (14,722)	\$ 143,207	\$ 42,962
Business-type activities	<u>52,269</u>	<u>-</u>	<u>(2,925)</u>	<u>49,344</u>	<u>14,804</u>
Total compensated absences	<u>\$ 210,198</u>	<u>\$ -</u>	<u>\$ (17,647)</u>	<u>\$ 192,551</u>	<u>\$ 57,766</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2017 was comprised of the following individual issues:

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

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

Vactor Truck Capital Lease – The Vactor Truck Capital Lease agreement was for \$410,288. Interest on the capital lease is 5.182 percent.

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

The annual requirements to amortize the principal and interest on all long-term debt at June 30, 2017 are as follows:

Years Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 142,708	\$ 97,610	\$ 240,318
2019	152,394	90,885	243,279
2020	157,230	83,820	241,050
2021	134,754	76,652	211,406
2022	139,820	69,869	209,689
2023-2027	715,909	234,715	950,624
2028-2032	453,000	74,575	527,575
2033	90,000	2,250	92,250
	<u>\$1,985,815</u>	<u>\$ 730,376</u>	<u>\$ 2,716,191</u>

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 – DEFICIT FUND BALANCES

Fund Balance and Net Position Deficits – The following is a summary of deficit fund balances net positions as of June 30, 2017:

Governmental Funds:	
General	\$ (385,132)
Community Development	\$ (93,471)
Enterprise Funds:	
Disposal	\$ (170,177)

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

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plans

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

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.426 to 2%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.377%	6.555%

	Safety	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	9.50%
Required employer contribution rates	12.055%	9.418%

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 82,325	\$ 111,097
Contributions - employee	53,423	45,411

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 991,657
Safety	660,083
Total Net Pension Liability	<u>\$ 1,651,740</u>

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2015	0.0327%	0.0124%
Proportion - June 30, 2016	0.0286%	0.0127%
Change - Increase (Decrease)	-0.0041%	0.0004%

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$143,524. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 193,422	\$ -
Differences between actual and expected experience	-	(10,254)
Changes in assumptions	6,024	(118,644)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	214,708	-
Change in proportion	-	(138,344)
Net differences between projected and actual earnings on plan investments	604,457	-
Total	<u>\$ 1,018,611</u>	<u>\$ (267,242)</u>

\$193,422 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	\$ 55,942
2019	57,223
2020	287,932
2021	156,851
Thereafter	-

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

C. Actuarial Assumptions

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

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.7%	7.7%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾	7.5% ⁽²⁾
Mortality	Derived using CalPERS' Membership Data for all Funds ⁽³⁾	

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

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

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

All other actuarial assumptions used in the June 30, 2015 valuation was based on the results of an actuarial experience study for fiscal years 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

D. Discount Rate

Discount rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans, the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected nominal rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100%		

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

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

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

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 1,529,738	\$ 1,047,712
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 991,657	\$ 660,083
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 546,960	\$ 341,886

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – PENSION PLAN (Continued)

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

At June 30, 2017, the City did not have a payable for an outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 9 – RISK MANAGEMENT

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

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker's compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$1,500,000 to the statutory limit.

The CSJVRMA is a consortium of 55 cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

NOTE 10 – CONTINGENCIES

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

CITY OF PARLIER

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 – UNCOLLECTIBLE LOAN RECEIVABLE

As of June 30, 2017 the City carried a note receivable in the amount of \$1,310,000 from Global Premier Development Inc. related to the construction of 20 low income apartment units. The note bears a five percent interest rate per year and repayment was deferred for five years. According to the note terms, payments were to commence in fiscal year 2013; however, as of June 30, 2017 no payments have been received by the City. Management has evaluated the collectability of the note and based on their unsuccessful efforts to collect payment, it was determined the likelihood to collect is very low and have therefore set an allowance for the full amount of the note.

NOTE 12 – SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through January 8, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,147,422	\$ 2,147,422	\$ 2,312,526	\$ 165,104
Intergovernmental	125,900	125,900	192,624	66,724
Charges for services	125,200	125,200	98,828	(26,372)
Licenses and permits	131,000	131,000	337,124	206,124
Fines and forfeitures	28,600	28,600	22,179	(6,421)
Interest and rent	53,000	53,000	55,456	2,456
Other	18,100	18,100	52,577	34,477
Total revenues	<u>2,629,222</u>	<u>2,629,222</u>	<u>3,071,314</u>	<u>442,092</u>
EXPENDITURES				
Current:				
General government	302,660	302,660	426,743	(124,083)
Public safety	1,792,870	1,792,870	1,958,299	(165,429)
Public works	52,250	52,250	39,380	12,870
Community development	273,185	273,185	532,095	(258,910)
Parks and recreation	131,730	131,730	164,900	(33,170)
Daycare	-	-	802	(802)
Total expenditures	<u>2,552,695</u>	<u>2,552,695</u>	<u>3,132,198</u>	<u>(579,503)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,527</u>	<u>76,527</u>	<u>(60,884)</u>	<u>(137,411)</u>
OTHER FINANCING SOURCES (USES)				
Sale of asset	-	-	134,209	134,209
Transfers in	-	-	4,530	4,530
Transfers out	<u>(29,400)</u>	<u>(29,400)</u>	<u>(4,530)</u>	<u>24,870</u>
Total other financing sources (uses)	<u>(29,400)</u>	<u>(29,400)</u>	<u>134,209</u>	<u>163,609</u>
Net change in fund balance	<u>\$ 47,127</u>	<u>\$ 47,127</u>	<u>73,325</u>	<u>\$ 26,198</u>
Fund balance - beginning			<u>(458,457)</u>	
Fund balance - ending			<u>\$ (385,132)</u>	

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE HOUSING GRANT FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 14,850	\$ 14,850
Charges for services	-	-	6,000	6,000
Interest and rent	-	-	2,753	2,753
Other	-	-	6,353	6,353
Total revenues	-	-	29,956	29,956
EXPENDITURES				
Current:				
Community development	-	-	175,275	(175,275)
Total expenditures	-	-	175,275	(175,275)
Excess (deficiency) of revenues over (under) expenditures	-	-	(145,319)	(145,319)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(11,346)	(11,346)
Total other financing sources (uses)	-	-	(11,346)	(11,346)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(156,665)	<u>\$ (156,665)</u>
Fund balance - beginning			168,082	
Fund balance - ending			<u>\$ 11,417</u>	

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 4,012,351	\$ 4,012,351	\$ 63,617	\$ (3,948,734)
Interest and rent	-	-	315	315
Loan repayments	-	-	7,026	7,026
Total revenues	<u>4,012,351</u>	<u>4,012,351</u>	<u>70,958</u>	<u>(3,941,393)</u>
EXPENDITURES				
Current:				
Public Works	344,404	344,404	2,659	341,745
Community development	2,154,900	2,154,900	53,805	2,101,095
Capital outlay	<u>1,513,047</u>	<u>1,513,047</u>	<u>84,921</u>	<u>1,428,126</u>
Total expenditures	<u>4,012,351</u>	<u>4,012,351</u>	<u>141,385</u>	<u>3,870,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(70,427)</u>	<u>(70,427)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,346	11,346
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,346</u>	<u>11,346</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(59,081)	<u>\$ (59,081)</u>
Fund balance - beginning			<u>(34,390)</u>	
Fund balance - ending			<u>\$ (93,471)</u>	

CITY OF PARLIER

BUDGETARY COMPARISON SCHEDULE DAY CARE FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 825,000	\$ 825,000	\$ 857,274	\$ 32,274
Charges for services	30,000	30,000	43,354	13,354
Total revenues	855,000	855,000	900,628	45,628
EXPENDITURES				
Current:				
Day care	855,000	855,000	876,430	(21,430)
Total expenditures	855,000	855,000	876,430	(21,430)
Excess (deficiency) of revenues over (under) expenditures	-	-	24,198	24,198
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	24,198	<u>\$ 24,198</u>
Fund balances - beginning			1,500	
Fund balance - ending			<u>\$ 25,698</u>	

CITY OF PARLIER

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

NOTE 1 – BUDGETARY INFORMATION

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>General Fund</i>			
General government	\$ 302,660	\$ 426,718	\$ (124,058)
Public safety	1,792,870	1,958,299	(165,429)
Community development	273,185	532,095	(258,910)
Parks and recreation	131,730	164,900	(33,170)
Day care	-	802	(802)
<i>Housing Grants Special Revenue Fund</i>			
Community development	-	175,275	(175,275)
Transfers out	-	11,346	(11,346)
<i>Day Care Special Revenue Fund</i>			
Day care	855,000	876,430	(21,430)

CITY OF PARLIER

PROPORTIONATE SHARE OF NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017 LAST 10 YEARS*

	2015		2016		2017	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Proportion of the net pension liability	0.0396%	0.0166%	0.0327%	0.0124%	0.0286%	0.0127%
Proportionate share of the net pension liability	\$ 979,686	\$ 622,844	\$ 895,631	\$ 510,061	\$ 991,657	\$ 660,083
Covered - employee payroll	\$ 852,123	\$ 855,156	\$ 776,173	\$ 731,012	\$ 909,371	\$ 738,869
Proportionate share of the net pension liability as percentage of covered-employee payroll	114.97%	72.83%	115.39%	69.77%	109.05%	89.34%
Plan's fiduciary net position	\$ 3,018,889	\$ 2,154,435	\$ 3,136,206	\$ 2,315,222	\$ 3,005,048	\$2,195,482
Plan fiduciary net position as a percentage of the total pension	75.50%	77.57%	77.79%	81.95%	75.19%	76.88%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - None

* Fiscal year 2015 was the first year of implementation; therefore only three years are shown.

CITY OF PARLIER

SCHEDULE OF CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017 LAST 10 YEARS*

		2015		2016		2017	
		Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially required contribution (actuarially		\$ 143,039	\$ 119,509	\$ 156,575	\$ 105,101	\$177,276	\$130,135
Contributions in relation to the actuarially determined							
contributions		<u>143,039</u>	<u>119,509</u>	<u>(156,575)</u>	<u>(105,101)</u>	<u>(177,276)</u>	<u>(130,135)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll		\$ 852,123	\$ 855,156	\$ 776,173	\$ 731,012	\$909,371	\$738,869
Contributions as a percentage of covered-employee payroll		16.79%	13.98%	20.17%	14.38%	19.49%	17.61%
Valuation Date		June 30, 2015					
Measurement Date		June 30, 2016					
Actuarial Cost Method		Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68					
Actuarial Assumptions:							
Discount Rate		7.65%					
Inflation		2.75%					
Payroll Growth		3.00%					
Salary Increases		Varies by Entry Age and Service					
Mortality Rate Table		Derived using CalPERS' Membership Date for all Funds					
Post Retirement Benefit Increase		Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter					

* Fiscal year 2015 was the first year of implementation; therefore only three years are shown.

SUPPLEMENTARY INFORMATION

CITY OF PARLIER

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS JUNE 30, 2017

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Development Impact Fees	
ASSETS						
Cash and investments	\$ 1,694,910	\$ 924,675	\$ 79,615	\$ 1,795,234	\$ 230,979	\$ 4,725,413
Due from other governments	44,684	-	-	-	-	44,684
Interest receivable	410	224	19	434	55	1,142
Total assets	<u>\$ 1,740,004</u>	<u>\$ 924,899</u>	<u>\$ 79,634</u>	<u>\$ 1,795,668</u>	<u>\$ 231,034</u>	<u>\$ 4,771,239</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 97,262	\$ 28,024	\$ 3,167	\$ 915	\$ 1	\$ 129,369
Total liabilities	<u>97,262</u>	<u>28,024</u>	<u>3,167</u>	<u>915</u>	<u>1</u>	<u>129,369</u>
FUND BALANCES (DEFICITS)						
Restricted:						
Public works	<u>1,642,742</u>	<u>896,875</u>	<u>76,467</u>	<u>1,794,753</u>	<u>231,033</u>	<u>4,641,870</u>
Total fund balances (deficits)	<u>1,642,742</u>	<u>896,875</u>	<u>76,467</u>	<u>1,794,753</u>	<u>231,033</u>	<u>4,641,870</u>
Total liabilities and fund balances	<u>\$ 1,740,004</u>	<u>\$ 924,899</u>	<u>\$ 79,634</u>	<u>\$ 1,795,668</u>	<u>\$ 231,034</u>	<u>\$ 4,771,239</u>

CITY OF PARLIER

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure C	Gas Tax	Landscape Maintenance	Local Transportation	Development Impact Fees	
REVENUES						
Taxes	\$ -	\$ -	\$ 49,820	\$ -	\$ -	\$ 49,820
Intergovernmental	408,885	289,424	-	543,005	-	1,241,314
Licenses, permits and impact fees	-	-	-	-	78,568	78,568
Interest and rent	1,320	723	105	1,399	181	3,728
Total revenues	410,205	290,147	49,925	544,404	78,749	1,373,430
EXPENDITURES						
Public works	86,523	291,684	61,342	68,742	-	508,291
Capital outlay	118,465	-	-	79,752	-	198,217
Total expenditures	204,988	291,684	61,342	148,494	-	706,508
Excess (deficiency) of revenues over (under) expenditures	205,217	(1,537)	(11,417)	395,910	78,749	666,922
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	205,217	(1,537)	(11,417)	395,910	78,749	666,922
Fund balances - beginning	1,437,525	898,412	87,884	1,398,843	152,284	3,974,948
Fund balances - ending	\$ 1,642,742	\$ 896,875	\$ 76,467	\$ 1,794,753	\$ 231,033	\$ 4,641,870

CITY OF PARLIER

DAY CARE CENTER STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Programs</u>
	<u>CSPP-6060</u>
REVENUES AND SUPPORT	
State apportionments - Child Development Program	\$ 857,274
Parent fees - certified	<u>43,354</u>
Total revenues and support	<u>900,628</u>
EXPENSES	
Certified salaries:	
Teachers' salaries	185,342
Classified salaries:	
Instructional aides' salaries	265,856
Other salaries	-
Employee benefits	193,108
Instructional supplies	33,979
Other supplies and groceries	68,335
Travel and conferences	8,174
Utilities and housekeeping	25,158
Rents	22,000
Other operating expenditures	74,478
Equipment	<u>-</u>
Total expenses	<u>876,430</u>
Net change in fund balances	24,198
Fund balances - beginning	<u>1,500</u>
Fund balances - ending	<u><u>\$ 25,698</u></u>

CITY OF PARLIER

DAY CARE CENTER

SCHEDULE OF EXPENDITURES OF BY STATE CATEGORIES FOR THE YEAR ENDED JUNE 30, 2017

		Preschool Program CSPP-6060
Expenditures		
1000	Certified Personnel Salaries	\$ 185,342
2000	Classified Personnel Salaries	265,856
3000	Employee Benefits	193,108
4000	Books and Supplies	102,314
5000	Services and Other Operating Expenses	129,810
6000	Capital Outlay	<u>-</u>
Total expenditures claimed for reimbursement		<u><u>\$ 876,430</u></u>

CITY OF PARLIER

DAY CARE CENTER

SCHEDULE OF RECONCILIATION OF CALIFORNIA DEPARTMENT OF EDUCATION AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES EXPENSE REPORTING FOR THE YEAR ENDED JUNE 30, 2017

	<u>CSPP-6060</u>
Expenditures	
Schedule of Expenditure by State Category (CDE)	\$ 876,430
Adjustments to Reconcile Difference in Reporting: None	<u>-</u>
Combining Statement of Activities	<u>\$ 876,430</u>

CITY OF PARLIER

DAY CARE CENTER SCHEDULE OF EQUIPMENT EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2017

	Preschool Program CSPP-6060
	<hr/>
Unit Cost Under \$7,500 Per Item	
None	\$ <u>-</u>
Subtotal	\$ <u>-</u>
Unit Cost \$7,500 or More Per Item With Prior Written Approval	
None	<u>-</u>
Subtotal	<u>-</u>
Unit Cost \$7,500 or More Per Item Without Prior Approval	
None	<u>-</u>
Subtotal	<u>-</u>
Total	\$ <u><u>-</u></u>

CITY OF PARLIER

DAY CARE CENTER

COMBINING SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2017

	Preschool Program CSPP-6060
	<hr/>
Expenditures Under \$10,000 Unit Cost	
None	\$ <hr/> -
Total	<hr/> -
Expenditures Over \$10,000 Unit Cost With CDD Approval	
None	<hr/> -
Total	<hr/> -
Expenditures Over \$10,000 Unit Cost Without CDD Approval	
None	<hr/> -
Total	<hr/> -
Total Renovation and Repair Expenditures	\$ <hr/> <hr/> -

CITY OF PARLIER

DAY CARE CENTER

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>CSPP-6060</u>
Reimbursable Administrative Costs	
Salaries	\$ -
Employee Benefits	-
Services and Other Operating Expense	<u>90,477</u>
Total	<u>\$ 90,477</u>

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: City of Parlier Vendor No. 2190

Fiscal Year End: June 30, 2017 Contract No. CSPP-6060

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
Subtotal	\$0	\$0	\$0
Family Fees for Certified Children	44,216	(862)	43,354
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$44,216	(\$862)	\$43,354

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	179,118	6,224	185,342
2000 Classified Salaries	266,224	(368)	265,856
3000 Employee Benefits	168,640	24,468	193,108
4000 Books and Supplies	33,723	256	33,979
5000 Services and Other Operating Expenses	257,079	(58,934)	198,145
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (<i>program-related</i>)			0
6500 Replacement Equipment (<i>program-related</i>)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$904,784	(\$28,354)	\$876,430
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$90,477	\$0	\$90,477

FOR CDE-A&I USE ONLY:

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

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

☒ YES

☐ NO - Explain any discrepancies.

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

☒ YES

☐ NO - Explain any discrepancies.

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

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

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

Agency Name: City of Parlier Vendor No. 2190

Fiscal Year End: June 30, 2017 Contract No. CSPP-6060

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding			\$0
Other (Specify): Donation		802	802
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$0	\$802	\$802

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries			\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$0	\$0	\$0

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of Parlier

Fiscal Year End: June 30, 2017

Vendor No. 2190

Independent 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)	\$2,843		\$2,843
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.			\$0
Contract No.			0
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
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$2,843	\$0	\$2,843

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$3		\$3
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):			
CSPP - General			
Contract No.			\$0
Contract No.			0
CSPP - Professional Development			
Contract No.			\$0
Contract No.			0
Subtotal	\$0	\$0	\$0
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
7. Ending Balance on June 30, 2017 (column A must agree with this year's CDFS 9530-A, Section IV)	\$2,846	\$0	\$2,846

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

CITY OF PARLIER

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
FEDERAL:			
<u>U.S. Department for Housing and Community Development</u>			
Direct Award:			
Community Development Block Grant	14.228	12-CDBG-8406	\$ 2,060
			2,060
Passed through the California Department of Housing and Community Development:			
Home Investment Partnership Program	14.239	14-HOME-9275	996,968
			996,968
Total U.S. Department of Housing and Urban Development			999,028
<u>U.S. Department of Justice</u>			
Passed through the California Department of Justice:			
Community Policing Grant	16.710	2013-UM-WX-0015	50,212
			50,212
Direct award:			
Bullet Proof Vest Program	16.607	N/A	2,841
Edward Byrne Memorial Justice Assistance Grant	16.804	2014-DJ-BX-0920	920
			3,761
Total U.S. Department of Justice			53,973
<u>U.S. Department of Transportation</u>			
Passed through the California Department of Transportation:			
Regional Surface Transportation Program	20.205	RSTP-5252(022)	50,212
Active Transportation Program	20.205	ATPL-5252 (023)	6,675
State Transportation Program	20.205	STPL-5252 (019)	29,837
Highway Safety Improvement Program	20.205	HSIPL-5252 (018)	2,855
Congestion Mitigation and Air Quality Agreement	20.205	CML-5252(017)	3,278
Congestion Mitigation and Air Quality Agreement	20.205	CML-5252(021)	19,752
			112,609
Total U.S. Department of Transportation			112,609
<u>U.S. Department of Health and Human Services</u>			
Passed through the California Department of Education:			
Child Development Programs 13609-2198	93.596	CSPP-5060	172,635
Child Development Programs 15136-2190	93.575	CSPP-5060	59,215
Total U.S. Department of Health and Human Services			231,850
Total Federal Expenditures			\$ 1,397,460

CITY OF PARLIER

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

			Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
		Federal Grantor/Pass-Through Grantor/Program Title			
STATE:					
		California Department of Education:			
		Child Development Programs 23038-2190		CSPP-5060	\$ 373,150
		Child Development Programs 23254-2190		CSPP-5060	221,587
		Program Income		CSPP-5060	<u>31,765</u>
		Total California Department of Education			<u>626,502</u>
		Total State Expenditures			<u>626,502</u>
		Total Federal and State Expenditures			<u>\$ 2,023,962</u>

CITY OF PARLIER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) utilizes the modified accrual method of accounting for reporting of federal expenditures. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Schedule of Expenditures of Federal Awards

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

Cost Rate

The City does not elect to use the 10% de minimus cost rate.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Parlier (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control over Financial Reporting

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

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

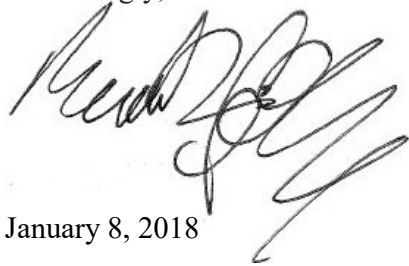
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

January 8, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Parlier's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "Michael J. [unclear]", is written over a faint, circular official seal.

January 8, 2018

CITY OF PARLIER

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

<u>SECTION I – SUMMARY OF AUDITOR'S RESULTS</u>				
<u>Financial Statements</u>				
Type of auditor's report issued:	<u>Unmodified</u>			
Internal control over financial reporting:				
Material weakness(es) identified?	<u> </u> yes	<u> </u> X	<u> </u> no	
Significant deficiencies identified?	<u> </u> yes	<u> </u> X	<u> </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> </u> X	<u> </u> no	
<u>Federal Awards</u>				
Internal control over major programs:				
Material weaknesses identified?	<u> </u> yes	<u> </u> X	<u> </u> no	
Significant deficiencies identified?	<u> </u> yes	<u> </u> X	<u> </u> none reported	
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> </u> X	<u> </u> no	
<u>Identification of Major Programs</u>				
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>			
14.239	Home Investment Partnership Program			
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000			
Auditee qualified as a low-risk auditee?	<u> </u> yes	<u> </u> X	<u> </u> no	
<u>Financial Statements Findings</u>				
No matters were reported				
<u>Findings and Questioned Costs for Federal Awards</u>				
No matters were reported				

CITY OF PARLIER

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

Finding 2015-001 – Implemented

Finding 2015-002 – Implemented

Finding 2015-003 – Implemented

Finding 2015-004 – Implemented