

**CITY OF AVENAL
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**

**CITY OF AVENAL
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avenal, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 11 in the financial statements, effective July 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 schedule of funding progress for other postemployment benefits on page 54, the proportionate share of net pension liability on page 55, the schedule of contributions on page 56, and budgetary comparison information on pages 57-61 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 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 March 1, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 1, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 8,648,888	\$ 5,770,072	\$ 14,418,960
Cash with fiscal agent	658,439	-	658,439
Receivables:			
Consumer	-	505,997	505,997
Taxes	182,019	-	182,019
Intergovernmental	96,377	-	96,377
Community loans	12,425,558	-	12,425,558
Notes	132,354	-	132,354
Internal balances	3,889,431	(3,889,431)	-
Due from Successor Agency	3,085,000	-	3,085,000
Inventories	-	84,836	84,836
Other assets	-	12,962	12,962
Capital assets:			
Non-depreciable	1,190,541	101,000	1,291,541
Depreciable, net of accumulated depreciation	<u>21,929,811</u>	<u>15,641,593</u>	<u>37,571,404</u>
 Total assets	 <u>52,238,418</u>	 <u>18,227,029</u>	 <u>70,465,447</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>542,837</u>	<u>165,412</u>	<u>708,249</u>
 Total deferred outflows of resources	 542,837	 165,412	 708,249
LIABILITIES			
Accounts payable	152,787	115,316	268,103
Accrued interest payable	115,729	-	115,729
Consumer deposits	-	15,313	15,313
Due to Successor Agency	327,870	-	327,870
Due in one year:			
Compensated absences	93,940	43,979	137,919
Revenue bond payable	315,000	-	315,000
Noncurrent liabilities:			
Compensated absences	13,604	20,365	33,969
Revenue bond payable	6,990,000	-	6,990,000
Net pension liability	1,134,166	819,196	1,953,362
Other postemployment benefit obligation	<u>1,579,097</u>	<u>1,150,442</u>	<u>2,729,539</u>
 Total liabilities	 <u>10,722,193</u>	 <u>2,164,611</u>	 <u>12,886,804</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>277,375</u>	<u>318,807</u>	<u>596,182</u>
 Total deferred inflows of resources	 277,375	 318,807	 596,182
NET POSITION			
Net investment in capital assets	15,815,352	15,742,593	31,557,945
Restricted for:			
Highway and streets	1,492,861	-	1,492,861
Community development	86,254	-	86,254
Debt service	7,305,000	-	7,305,000
Unrestricted	<u>17,082,220</u>	<u>166,430</u>	<u>17,248,650</u>
 Total net position	 <u>\$ 41,781,687</u>	 <u>\$ 15,909,023</u>	 <u>\$ 57,690,710</u>

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

**CITY OF AVENAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,391,272	\$ 41,478	\$ 180,177	\$ -	\$ (1,169,617)	\$ -	\$ (1,169,617)
Building regulations	98,367	-	-	-	(98,367)	-	(98,367)
Planning	-	3,175	-	-	3,175	-	3,175
Community development	626,178	26,548	495,624	-	(104,006)	-	(104,006)
Public safety:							
Law enforcement	2,654,699	323,504	-	-	(2,331,195)	-	(2,331,195)
Animal control	152,112	51,342	-	-	(100,770)	-	(100,770)
Parks and recreation	314,534	14,143	-	-	(300,391)	-	(300,391)
Streets	1,218,261	-	884,841	-	(333,420)	-	(333,420)
Interest on long-term debt	349,271	-	-	-	(349,271)	-	(349,271)
Total governmental activities	6,804,694	460,190	1,560,642	-	(4,783,862)	-	(4,783,862)
Business-type activities:							
Water	3,563,156	2,401,909	-	-	-	(1,161,247)	(1,161,247)
Sewer	1,799,067	1,554,118	-	-	-	(244,949)	(244,949)
Solid waste	787,404	573,294	117,460	-	-	(96,650)	(96,650)
Street light	65,768	59,614	-	-	-	(6,154)	(6,154)
Total business-type activities	6,215,395	4,588,935	117,460	-	-	(1,509,000)	(1,509,000)
Total	\$ 13,020,089	\$ 5,049,125	\$ 1,678,102	\$ -	(4,783,862)	(1,509,000)	(6,292,862)
General revenues:							
Taxes:							
Property taxes					477,210	-	477,210
Sales taxes					257,050	-	257,050
Franchise taxes					260,041	-	260,041
Other taxes					5,260	-	5,260
Motor vehicle in-lieu taxes					1,872,828	-	1,872,828
Rental income					360,616	-	360,616
Investment income					12,042	5,867	17,909
Miscellaneous					492,846	58,166	551,012
Extraordinary item - transfer to successor agency					(189,818)	-	(189,818)
Transfers					(128,673)	128,673	-
Total general revenues, extraordinary item and transfers					3,419,402	192,706	3,612,108
Change in net position					(1,364,460)	(1,316,294)	(2,680,754)
Net position - beginning (restated)					43,146,147	17,225,317	60,371,464
Net position - ending					\$ 41,781,687	\$ 15,909,023	\$ 57,690,710

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

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FUND FINANCIAL STATEMENTS

**CITY OF AVENAL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Avenal Public Financing Authority Debt Service Fund	CalHOME Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 6,668,004	\$ -	\$ 73,214	\$ 990	\$ 11	\$ 785,654	\$ 1,121,015	\$ 8,648,888
Cash with fiscal agent	-	658,439	-	-	-	-	-	658,439
Receivables:								
Taxes	182,019	-	-	-	-	-	-	182,019
Intergovernmental	-	-	-	-	-	50,325	46,052	96,377
Community loans	-	-	2,467,473	5,646,200	4,311,885	-	-	12,425,558
Notes	132,354	-	-	-	-	-	-	132,354
Interfund receivables	214,832	-	-	-	-	-	-	214,832
Due from Successor Agency	-	3,085,000	-	-	-	-	-	3,085,000
Advances to other funds	-	4,220,000	-	-	-	-	-	4,220,000
Total assets	\$ 7,197,209	\$ 7,963,439	\$ 2,540,687	\$ 5,647,190	\$ 4,311,896	\$ 835,979	\$ 1,167,067	\$ 29,663,467
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 128,617	\$ -	\$ -	\$ 30	\$ -	\$ 15,225	\$ 8,915	\$ 152,787
Due to Successor Agency	-	327,870	-	-	-	-	-	327,870
Interfund payables	-	-	-	-	-	-	214,832	214,832
Advances from other funds	-	330,569	-	-	-	-	-	330,569
Total liabilities	128,617	658,439	-	30	-	15,225	223,747	1,026,058
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	-	-	2,467,473	5,646,200	4,311,885	-	-	12,425,558
Total deferred inflows of resources	-	-	2,467,473	5,646,200	4,311,885	-	-	12,425,558
Fund balances:								
Restricted for:								
Public safety	203,164	-	-	-	-	-	-	203,164
Highways and streets	-	-	-	-	-	820,754	672,107	1,492,861
Community development	11,225	-	73,214	960	11	-	844	86,254
Debt service	-	7,305,000	-	-	-	-	-	7,305,000
Committed:								
Capital projects	349,500	-	-	-	-	-	448,064	797,564
Assigned:								
General government	7,500	-	-	-	-	-	-	7,500
Unassigned	6,497,203	-	-	-	-	-	(177,695)	6,319,508
Total fund balances	7,068,592	7,305,000	73,214	960	11	820,754	943,320	16,211,851
Total liabilities and fund balances	\$ 7,197,209	\$ 7,963,439	\$ 2,540,687	\$ 5,647,190	\$ 4,311,896	\$ 835,979	\$ 1,167,067	\$ 29,663,467

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

**CITY OF AVENAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total fund balances - governmental funds	\$	16,211,851
Capital assets used in governmental activities were not current financial resources and, therefore, were not reported in the governmental funds.		23,120,352
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds balance sheet:		
Net pension liability		(1,134,166)
Other postemployment benefits		(1,579,097)
Loan payable		(7,305,000)
Compensated absences		(107,544)
Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(115,729)
Pension related deferrals are reported as deferred outflows and inflows of resources on the Statement of Net Position		265,462
Other long-term assets are not available to pay for current period expenditures and, therefore, they are deferred in the governmental funds.		<u>12,425,558</u>
Net position of governmental activities	\$	<u>41,781,687</u>

CITY OF AVENAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Avenal Public Financing Authority Debt Service Fund	CalHOME Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 2,410,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,410,203
Other taxes	455,111	-	-	-	-	-	-	455,111
Intergovernmental revenues	442,017	-	-	-	-	592,402	696,008	1,730,427
Charges for services	93,190	-	-	-	-	-	-	93,190
Licenses and permits	58,613	-	-	-	-	-	-	58,613
Fines and penalties	171,116	-	-	-	-	-	-	171,116
Investment income	10,916	-	36	-	34	372	684	12,042
Rents	360,616	-	-	-	-	-	-	360,616
Loan repayments	-	-	-	2,400	4,585	-	-	6,985
Other revenue	153,094	353,439	-	-	-	-	-	506,533
Total revenues	4,154,876	353,439	36	2,400	4,619	592,774	696,692	5,804,836
EXPENDITURES								
Current:								
General government	511,529	-	-	-	-	-	-	511,529
Building regulation	96,165	-	-	-	-	-	-	96,165
Community development	203,614	-	-	2,400	124,780	-	288,340	619,134
Public safety:								
Law enforcement	2,671,850	-	-	-	-	-	-	2,671,850
Animal control	151,999	-	-	-	-	-	-	151,999
Parks and recreation	414,469	-	-	-	-	-	-	414,469
Highways and streets	-	-	-	-	-	328,514	1,500	330,014
Capital outlay:								
General government	701	-	-	-	-	-	-	701
Community development	14,826	-	-	-	-	-	-	14,826
Parks and recreation	195,774	-	-	-	-	-	9,794	205,568
Public safety:								
Law enforcement	57,482	-	-	-	-	-	-	57,482
Highways and streets	-	-	-	-	-	373,551	287,564	661,115
Debt service:								
Principal	67,066	305,000	-	-	-	-	-	372,066
Interest	-	353,439	-	-	-	-	-	353,439
Total expenditures	4,385,475	658,439	-	2,400	124,780	702,065	587,198	6,460,357
Excess (deficiency) of revenues over (under) expenditures	(230,599)	(305,000)	36	-	(120,161)	(109,291)	109,494	(655,521)
OTHER FINANCING SOURCES (USES)								
Transfers out	(128,673)	-	-	-	-	-	-	(128,673)
Total other financing sources (uses)	(128,673)	-	-	-	-	-	-	(128,673)
EXTRAORDINARY ITEM								
Transfer to successor agency	(189,818)	-	-	-	-	-	-	(189,818)
Net change in fund balances	(549,090)	(305,000)	36	-	(120,161)	(109,291)	109,494	(974,012)
Fund balances - beginning	7,617,682	7,610,000	73,178	960	120,172	930,045	833,826	17,185,863
Fund balances - ending	\$ 7,068,592	\$ 7,305,000	\$ 73,214	\$ 960	\$ 11	\$ 820,754	\$ 943,320	\$ 16,211,851

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

**CITY OF AVENAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds	\$ (974,012)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are capitalized. This is the amount of capital assets recorded.	942,685
Depreciation expense on capital assets is reported in the government-wide statement as changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,440,993)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(284,138)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,205
Community loans are reported in the governmental funds as expenditures and are not expenses in the statement of activities. This is the amount of community loans given.	238,027
Compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is reported as an expenditure in the governmental funds.	6,408
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net position.	372,066
Other post-employment benefit expense is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, the expense is not reported as an expenditure in the governmental funds.	(231,876)
Change in accrued interest calculated on bonds and notes payable.	<u>4,168</u>
Change in net position of governmental activities	<u>\$ (1,364,460)</u>

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

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PROPRIETARY FUNDS

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

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 2,328,070	\$ 2,415,435	\$ 617,659	\$ 408,908	\$ 5,770,072
Consumer receivables	264,911	146,708	86,281	8,097	505,997
Supplies inventory	45,948	38,888	-	-	84,836
Other assets	<u>12,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,962</u>
Total current assets	<u>2,651,891</u>	<u>2,601,031</u>	<u>703,940</u>	<u>417,005</u>	<u>6,373,867</u>
Noncurrent assets:					
Advances to other funds	330,569	-	-	-	330,569
Capital assets:					
Nondepreciable	100,000	-	1,000	-	101,000
Depreciable, net	<u>11,936,685</u>	<u>3,029,624</u>	<u>1,193</u>	<u>674,091</u>	<u>15,641,593</u>
Total noncurrent assets	<u>12,367,254</u>	<u>3,029,624</u>	<u>2,193</u>	<u>674,091</u>	<u>16,073,162</u>
Total assets	<u>15,019,145</u>	<u>5,630,655</u>	<u>706,133</u>	<u>1,091,096</u>	<u>22,447,029</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pensions	<u>74,618</u>	<u>79,509</u>	<u>11,285</u>	<u>-</u>	<u>165,412</u>
Total deferred outflows of resources	<u>74,618</u>	<u>79,509</u>	<u>11,285</u>	<u>-</u>	<u>165,412</u>
LIABILITIES					
Current liabilities:					
Accounts payable	65,007	1,741	48,167	401	115,316
Deposits	15,313	-	-	-	15,313
Compensated absences	<u>18,834</u>	<u>22,148</u>	<u>2,997</u>	<u>-</u>	<u>43,979</u>
Total current liabilities	<u>99,154</u>	<u>23,889</u>	<u>51,164</u>	<u>401</u>	<u>174,608</u>
Noncurrent liabilities:					
Advances from other funds	4,220,000	-	-	-	4,220,000
Compensated absences	8,721	10,257	1,387	-	20,365
Net pension liability	280,118	505,728	33,350	-	819,196
Other postemployment benefits obligation	<u>575,221</u>	<u>575,221</u>	<u>-</u>	<u>-</u>	<u>1,150,442</u>
Total noncurrent liabilities	<u>5,084,060</u>	<u>1,091,206</u>	<u>34,737</u>	<u>-</u>	<u>6,210,003</u>
Total liabilities	<u>5,183,214</u>	<u>1,115,095</u>	<u>85,901</u>	<u>401</u>	<u>6,384,611</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	<u>148,317</u>	<u>147,607</u>	<u>22,883</u>	<u>-</u>	<u>318,807</u>
Total deferred inflows of resources	<u>148,317</u>	<u>147,607</u>	<u>22,883</u>	<u>-</u>	<u>318,807</u>
NET POSITION					
Net investment in capital assets	12,036,685	3,029,624	2,193	674,091	15,742,593
Unrestricted	<u>(2,274,453)</u>	<u>1,417,838</u>	<u>606,441</u>	<u>416,604</u>	<u>166,430</u>
Total net position	<u>\$ 9,762,232</u>	<u>\$ 4,447,462</u>	<u>\$ 608,634</u>	<u>\$ 1,090,695</u>	<u>\$ 15,909,023</u>

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

**CITY OF AVENAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
Operating revenues:					
Charges for services	\$ 2,400,289	\$ 1,545,145	\$ 573,294	\$ 59,614	\$ 4,578,342
Operating expenses:					
Personnel costs	889,486	998,273	93,217	2,244	1,983,220
Operations	419,770	98,754	-	-	518,524
Contract services	-	106	674,377	-	674,483
Franchise	72,163	-	-	-	72,163
Utilities	831,330	181,377	-	35,313	1,048,020
Administration	273,259	358,474	17,422	-	649,155
Depreciation	870,455	162,083	2,388	28,211	1,063,137
Total operating expenses	3,356,463	1,799,067	787,404	65,768	6,008,702
Operating income (loss)	(956,174)	(253,922)	(214,110)	(6,154)	(1,430,360)
Nonoperating revenues (expenses):					
Connection fees	1,620	1,773	-	-	3,393
Other revenue	46,562	-	10,315	1,293	58,170
Other surcharges and surtaxes	-	-	117,460	-	117,460
Interest income	3,417	1,758	493	195	5,863
Department of Corrections - water plant	-	7,200	-	-	7,200
Interest expense	(206,693)	-	-	-	(206,693)
Total nonoperating revenues (expenses)	(155,094)	10,731	128,268	1,488	(14,607)
Other financing sources (uses):					
Transfers in	-	-	128,673	-	128,673
Total other financing sources (uses)	-	-	128,673	-	128,673
Change in net position	(1,111,268)	(243,191)	42,831	(4,666)	(1,316,294)
Net position - beginning (restated)	10,873,500	4,690,653	565,803	1,095,361	17,225,317
Net position - ending	\$ 9,762,232	\$ 4,447,462	\$ 608,634	\$ 1,090,695	\$ 15,909,023

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

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

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,442,324	\$ 1,540,525	\$ 562,288	\$ 58,315	\$ 4,603,452
Cash payments to suppliers for goods and services	(1,590,946)	(643,281)	(691,655)	(35,504)	(2,961,386)
Cash payments to employees for services	(656,052)	(765,705)	(95,828)	(2,244)	(1,519,829)
Net cash provided (used) by operating activities	<u>195,326</u>	<u>131,539</u>	<u>(225,195)</u>	<u>20,567</u>	<u>122,237</u>
Cash flows from noncapital financing activities:					
Cash received/paid from other funds	(110,000)	-	128,673	1,293	19,966
Cash received for connection fees	48,178	8,973	127,775	-	184,926
Net cash provided (used) by noncapital financing activities	<u>(61,822)</u>	<u>8,973</u>	<u>256,448</u>	<u>1,293</u>	<u>204,892</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(5,500)	(23,528)	-	-	(29,028)
Interest paid on capital debt	(206,693)	-	-	-	(206,693)
Net cash provided (used) by capital and related financing activities	<u>(212,193)</u>	<u>(23,528)</u>	<u>-</u>	<u>-</u>	<u>(235,721)</u>
Cash flows from investing activities:					
Interest on investments	3,417	1,758	493	195	5,863
Net cash provided (used) by investing activities	<u>3,417</u>	<u>1,758</u>	<u>493</u>	<u>195</u>	<u>5,863</u>
Increase (decrease) in cash and cash equivalents	(75,272)	118,742	31,746	22,055	97,271
Cash and cash equivalents - July 1	<u>2,403,342</u>	<u>2,296,693</u>	<u>585,913</u>	<u>386,853</u>	<u>5,672,801</u>
Cash and cash equivalents - June 30	<u>\$ 2,328,070</u>	<u>\$ 2,415,435</u>	<u>\$ 617,659</u>	<u>\$ 408,908</u>	<u>\$ 5,770,072</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$ (956,174)	\$ (253,922)	\$ (214,110)	\$ (6,154)	\$ (1,430,360)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	870,455	162,083	2,388	28,211	1,063,137
Changes in assets, deferred outflows of resources and liabilities:					
(Increase) decrease in consumer receivables	42,035	(4,620)	(11,006)	(1,300)	25,109
(Increase) decrease in supplies inventory	11,718	1,068	-	-	12,786
(Increase) decrease in deferred outflows of resources for pensions	(74,618)	(79,509)	(11,285)	-	(165,412)
Increase (decrease) in accounts payable	(5,511)	(5,638)	144	(190)	(11,195)
Increase (decrease) in consumer deposits	(631)	-	-	-	(631)
Increase (decrease) in compensated absences payable	2,062	(8,715)	945	-	(5,708)
Increase (decrease) in other postemployment benefits obligation	251,642	251,642	-	-	503,284
Increase (decrease) in net pension liability	(93,969)	(78,457)	(15,154)	-	(187,580)
Increase (decrease) in deferred inflows of resources for pensions	148,317	147,607	22,883	-	318,807
Net cash provided (used) by operating activities	<u>\$ 195,326</u>	<u>\$ 131,539</u>	<u>\$ (225,195)</u>	<u>\$ 20,567</u>	<u>\$ 122,237</u>

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

**CITY OF AVENAL
STATEMENT OF FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
JUNE 30, 2015**

	<u>Trust Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 612,161
Due from City of Avenal	<u>327,870</u>
Total current assets	<u>940,031</u>
Total assets	<u>940,031</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>-</u>
Total current liabilities	<u>-</u>
Noncurrent liabilities:	
Due to City of Avenal Public Finance Authority	<u>3,085,000</u>
Total noncurrent liabilities	<u>3,085,000</u>
Total liabilities	<u>3,085,000</u>
NET POSITION	
Held in trust	<u>\$ (2,144,969)</u>

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

CITY OF AVENAL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
JUNE 30, 2015

	Trust Funds
ADDITIONS	
Intergovernmental revenues	\$ 492,044
Interest	103
Total additions	492,147
 DEDUCTIONS	
Planning and community development	150,692
Interest and fiscal charges	146,746
Total deductions	297,438
Extraordinary loss - transfer from City	189,818
Change in net position	384,527
Net position - beginning	(2,529,496)
Net position - ending	\$ (2,144,969)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Avenal have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board 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.

Reporting Entity

The City of Avenal (the "City") was incorporated in 1979 as a general law city. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: public safety (law enforcement, animal control, and emergency services), water utility, sanitation (solid waste disposal and sanitary wastewater), parks and recreation, planning and community development, public works, street maintenance, building regulation and general administrative services.

The accompanying basic financial statements include the financial activities of the City; the primary government; and its component unit, the Avenal Public Financing Authority (the "Authority"). Financial information for the City and this component unit are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Authority. As such, this entity is presented on a blended basis. No separate annual financial statements are prepared for the Authority.

Blended Component Units

The **Avenal Public Financing Authority** (the Authority) is a joint exercise of powers authority organized and existing under and pursuant to a Joint Exercise of Powers Agreement dated March 20, 1989. The agreement is between the City and the Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing for public capital improvements to be owned by the City or the Authority. The City Council acts as the governing board of the Authority and is responsible for the Authority's fiscal and administrative activities. The funds of the Authority have been included in the governmental activities of the financial statements.

Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. 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 are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include 1) fines, fees, and charges paid by the recipients of goods and 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 instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to/Due from Other Funds, Advance to Other Funds/Advance from Other Funds, and Transfers In/Transfer Out.

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

Propriety fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Avenal Public Financing Authority Debt Service Fund** is used to account for the repayment of debt issued by the Avenal Public Financing Authority.

The **CalHOME Special Revenue Fund** is used to account for CalHOME grant activities.

The **HOME Program Income Special Revenue Fund** is used to account for community development block grant loan repayments. Receipts are transferred to the appropriate funds.

The **CDBG Program Income Special Revenue Fund** is used to account for community development block grant loan repayments. Receipts are transferred to the appropriate funds.

The **Gas Tax Special Revenue Fund** is used to account for the City's apportioned share of revenue assessed by the State of California on the sale of gasoline in the State. The funds are to be used exclusively for maintenance and improvement of the City's streets and roads.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

The City reports the following major proprietary funds:

The **Water Fund** is used to account for financial activity of the water utility system.

The **Sewer Fund** is used to account for the financial activity of the sewage collections wastewater treatment utility system.

The **Solid Waste Fund** is used to account for the financial activity of the solid waste utility system.

The **Street Light Fund** is used to account for the financial activity of the street light system.

The City's fiduciary funds represent agency trust funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency trust funds are accounted for on an *economic resources* measurement focus and accrual basis of accounting.

The City reports the following fiduciary fund:

The **Successor Agency of the Redevelopment Agency** is used to account for assets liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange 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 eligibility requirements have been satisfied.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements – Governmental funds are reported using current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. In addition, the City applies all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements, to its business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of each fund. Nonoperating revenues, such as interest income, state and federal grants, and subsidies, result from nonexchange transactions or ancillary activities. Operating expenses include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as non-operating expenses.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

All cash and cash equivalents of the proprietary funds are pooled with the City's pooled cash and cash equivalents.

The City follows the practice of pooling the cash from all funds for investment purposes.

Receivables

Proprietary fund receivables are shown net of allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as deferred revenue. Proprietary fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

The City accrues as receivable all property taxes received during the first sixty (60) days of the new fiscal year.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Supplies Inventory and Prepaid Items

Inventory items are recorded as expenditures at the time of purchase. Records are not maintained for inventory and supplies on hand.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Transactions

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “interfund receivables/payables” (i.e. the current interfund loans) or “advances to/advances from” (i.e. the noncurrent interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

The City’s assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB Statement No. 34. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings.....	10-50 years
Improvements.....	5-10 years
Machinery and equipment.....	3-25 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments’ basic financial statements. In accordance with this statement, the City has included the value of all infrastructure capital assets acquired since the beginning of the 2003 fiscal year into the current year basic financial statements.

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, parks and recreation improvement, storm water conveyance system, and buildings combined with the site amenities, such as parking and landscaped areas used by the City in the conduct of its business.

Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for government fund types and proprietary fund types.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

Unearned Revenue

Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenues related to intergovernmental revenues (primarily grants and subventions) received but not earned (qualifying expenditures not yet incurred).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants when funding requirements have been met, but the related funding is not yet available.

Compensated Absences Payable

It is the City's policy to permit employees to accumulate a maximum amount of 320 hours of earned or unused vacation and sick leave. Sick leave is accumulated at 8 hours per month for full-time regular employees. Vacation is accumulated at 10 days per year for full-time regular employees with less than five years of service and employees earn an additional day for each year after five years. This amount is included as a liability in the government-wide and proprietary fund financial statements.

Long-Term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 11 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Property Tax Calendar

Property taxes are assessed, collected and allocated by Kings County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1 st installment; February 1, 2 nd installment
Delinquent Dates	December 10, 1 st installment; April 10, 2 nd installment

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year-end.

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.

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of other governments, and restrictions imposed by law through constitutional provisions and enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

Unrestricted net position – This category consists of all resources that do not meet the definition of “net investment in capital assets” or “restricted net position.”

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted resources first and then unrestricted resources as needed.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified inventories and prepaid items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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 during the reporting period. Accordingly, actual results could differ from those estimates.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements

a. New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 68

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

Governmental Accounting Standards Board Statement No. 69

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

Governmental Accounting Standards Board Statement No. 71

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

b. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 74

On June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

b. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City’s fiscal year ending June 30, 2016.

NOTE 2 – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments in all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

Summary of Deposits and Investments

A reconciliation of the City’s deposit and investment balances as of June 30, 2015 is as follows:

Cash on hand	\$ 350
Primary government deposits	11,753,623
Local Agency Investment Fund	3,277,148
U.S. government securities	<u>658,439</u>
 Total cash and investments	 <u><u>\$ 15,689,560</u></u>
 Government-Wide:	
Statement of Net Position:	
Cash and investments	\$ 14,418,960
Cash with fiscal agent	658,439
 Fiduciary Funds	 <u>612,161</u>
 Total	 <u><u>\$ 15,689,560</u></u>

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

- Securities of U.S. Government, or its agencies
- Certificates of Deposit (or time deposits) placed with Commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers’ Acceptances
- Local Agency Investment Fund deposits (state pool)
- Repurchase Agreements (Repos)
- Passbook savings account demand deposits

Investments Authorized by the Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in Non Issuer</u>
U.S. Treasury Bonds/Bills	None	None	None
U.S. Government Agency Bonds	None	None	None
Negotiable Certificates of Deposit	365 days	None	None
Time Certificates of Deposit	365 days	None	None
Banker's Acceptances	365 days	None	None
Commerical Paper	365 days	None	None
Money Market Fund	None	None	None

All the City’s investment activities were within State statutes and the City’s investment policy.

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	More than 60 Months
Held by bond trustee:				
Treasury obligation funds	\$ 658,439	\$ 658,439	\$ -	\$ -
Total	\$ 658,439	\$ 658,439	\$ -	\$ -

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. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments.

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 (where applicable) by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End	
			AAAm	Not Rated
State investment pool	\$ 3,277,148	\$ 3,277,148	\$ -	\$ -
Held by bond trustee:				
Treasury obligation funds	658,439	-	658,439	-
Total	\$ 3,935,587	\$ 3,277,148	\$ 658,439	\$ -

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a city 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, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government 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.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments.

As of June 30, 2015, the carrying amount of the City's bank deposits was \$11,753,623, and the respective bank balances totaled \$11,840,456. Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$11,590,456 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

Local Agency Investment Fund

The City participates in an external investment pool, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the City's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2015 balance was \$3,277,148. A breakdown of the investments included in the balance is not available at the balance sheet date.

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

NOTE 3 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2015 is as follows:

Interfund Receivables/Payables

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2015, the interfund balances are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Fund	Parks and Recreation Special Revenue Fund	\$ 9,672
General Fund	CDBG Special Revenue Fund	<u>205,160</u>
	Total	<u>\$ 214,832</u>

Long-Term Interfund Advances

At June 30, 2015, the funds below have made advances that were not expected to be repaid in one year or less.

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Avenal Public Financing Authority Debt Service Fund	Water Fund	\$ 4,220,000
Water Fund	Avenal Public Financing Authority Debt Service Fund	<u>330,569</u>
	Total	<u>\$ 4,550,569</u>

Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Current year transfers included activity to recognize the refunding of debt. Transfers in and out consisted of the following as of June 30, 2015:

	<u>Transfers</u>		<u>Reasons</u>
	<u>In</u>	<u>Out</u>	
Major Funds:			
Governmental funds:			
General Fund	\$ -	\$ 128,673	20% Cost of Refuse Service to Residents
Enterprise funds:			
Solid Waste Fund	<u>128,673</u>	<u>-</u>	20% Cost of Refuse Service to Residents
Total	<u>\$ 128,673</u>	<u>\$ 128,673</u>	

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

NOTE 4 – NOTES RECEIVABLE

On October 3, 2007, the City entered into an agreement with Avenal Sand Drags Association for the sale of land that includes the sand drag tracks with a sales price of \$68,000 payable to the City. In 2014, the City approved an addendum to the agreement. The terms of the revised agreement call for five annual interest only payments commencing September 18, 2014, followed by 10 annual principal payments of \$6,800 each, together with accrued interest commencing on September 18, 2019. The interest is a 5% fixed rate, simple interest. If the City determines that the sand drags tracks and/or other use conducted by Avenal Sand Drags Association are no longer in the best interest of the City, the City retains the right to repurchase the property for the original sales price. As of June 30, 2015, the balance of this note receivable was \$68,000.

On October 3, 2007, the City also entered into an agreement with Avenal Sand Drags Association, secured on a second position behind the \$68,000 note described above, for the sale of sand drag equipment and materials with a total sales price of \$21,000 payable to the City. In January 2014, the City approved an addendum to the agreement. The revised agreement required a single principal payment of \$3,400 plus accrued interest due January 31, 2014. Annual interest only payments commencing on September 18, 2014, and continuing thereafter on September 18 of each year for the following 11 years, following by one principal payment of \$17,600, together with accrued interest due and payable on September 18, 2026. The interest is a 5% fixed rate, simple interest. As of June 30, 2015, the balance of this note receivable was \$17,600.

On November 10, 2011, the City entered into an agreement with Avenal District Hospital for purchase of a vehicle with a sales price of \$59,300 payable to the City over a term of 7 years with no interest and no principal payment for the first year, followed by 5 annual principal payments of \$10,000 each, together with accrued interest of 1-2%, commencing on November 1, 2013, and a final payment of \$9,300 plus accrued interest of 2% payable on November 1, 2018. As of June 30, 2015, the balance of this note receivable was \$38,835.

On February 3, 2015, the City entered into an agreement with Reel Time Entertainment, Inc. for assistance with on-going business expenses in the amount of \$9,886.05 payable to the City over a term of 9 months, payable bi-weekly in the amount of \$500.00 each, commencing on February 25, 2015 and a final payment due December 10, 2015. The interest is a 3% fixed rate, simple interest. As of June 30, 2015, the balance of this note receivable was \$7,919.40.

NOTE 5 – HOUSING LOANS RECEIVABLE

The housing grant funds expended are recorded as expenditures in the year the loans are made to participants even though the amounts will be recovered as the loans are paid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year that such payments are received. Loans which have monthly/annual activity are “performing” loans and are included as receivables and unavailable revenue. Such loans totaled \$40,646 as of June 30, 2015. Deferred payment loans are not required to be paid back until the participating homeowner sells, transfers title to the property, or discontinues residence in the dwelling, at which time the full amount of the deferred loan is due. Deferred payment loans are “non-performing” loans that are also recorded as receivables and unavailable revenue. Such loans totaled \$12,384,912 as of June 30, 2015.

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

NOTE 6 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2002-03 fiscal year in the government-wide statement of net position. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following tables present summary information on capital assets:

	<u>Balances</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2015</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,119,551	\$ 12,050	\$ -	\$ 1,131,601
Construction in progress	<u>76,702</u>	<u>865,928</u>	<u>(883,690)</u>	<u>58,940</u>
Total capital assets not being depreciated	<u>1,196,253</u>	<u>877,978</u>	<u>(883,690)</u>	<u>1,190,541</u>
Capital assets being depreciated:				
Buildings and improvements	10,122,526	229,445	-	10,351,971
Machinery and equipment	3,409,351	64,706	-	3,474,057
Infrastructure	<u>22,945,561</u>	<u>654,246</u>	<u>-</u>	<u>23,599,807</u>
Total capital assets being depreciated	<u>36,477,438</u>	<u>948,397</u>	<u>-</u>	<u>37,425,835</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,755,051)	(273,624)	-	(2,028,675)
Machinery and equipment	(1,745,290)	(221,488)	-	(1,966,778)
Infrastructure	<u>(10,554,690)</u>	<u>(945,881)</u>	<u>-</u>	<u>(11,500,571)</u>
Total accumulated depreciation	<u>(14,055,031)</u>	<u>(1,440,993)</u>	<u>-</u>	<u>(15,496,024)</u>
Total capital assets being depreciated, net	<u>22,422,407</u>	<u>(492,596)</u>	<u>-</u>	<u>21,929,811</u>
Governmental activities capital assets, net	<u>\$ 23,618,660</u>	<u>\$ 385,382</u>	<u>\$ (883,690)</u>	<u>\$ 23,120,352</u>

Depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 275,815
Parks and recreation	163,353
Highway and streets	895,022
Public safety	76,283
Public works	<u>30,520</u>
Total	<u>\$ 1,440,993</u>

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

NOTE 6 – CAPITAL ASSETS (Continued)

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Total capital assets not being depreciated	101,000	-	-	101,000
Capital assets being depreciated:				
Buildings and improvements	7,933,079	-	-	7,933,079
Machinery and equipment	1,312,067	5,500	-	1,317,567
Utility system	20,201,818	23,529	-	20,225,347
Infrastructure	1,506,715	-	-	1,506,715
Total capital assets being depreciated	30,953,679	29,029	-	30,982,708
Less accumulated depreciation for:				
Buildings and improvements	(3,403,475)	(213,419)	-	(3,616,894)
Machinery and equipment	(751,975)	(81,497)	-	(833,472)
Utility system	(9,318,117)	(740,010)	-	(10,058,127)
Infrastructure	(804,411)	(28,211)	-	(832,622)
Total accumulated depreciation	(14,277,978)	(1,063,137)	-	(15,341,115)
Total capital assets being depreciated, net	16,675,701	(1,034,108)	-	15,641,593
Business-type activities capital assets, net	\$ 16,776,701	\$ (1,034,108)	\$ -	\$ 15,742,593
Total capital assets	\$ 40,395,361	\$ (648,726)	\$ (883,690)	\$ 38,862,945

Depreciation expense on capital assets was charged to the business-type functions as follows:

Water	\$ 870,455
Sewer	162,083
Solid Waste	2,388
Streetlight	28,211
Total	\$ 1,063,137

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

NOTE 7 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	CalHome Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Total
CalHOME loans	\$ 2,467,473	\$ -	\$ -	\$ 2,467,473
HOME loans	-	5,646,200	-	5,646,200
CDBG loan	-	-	4,311,885	4,311,885
Total	<u>\$ 2,467,473</u>	<u>\$ 5,646,200</u>	<u>\$ 4,311,885</u>	<u>\$ 12,425,558</u>

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

NOTE 8 – OPERATING LEASES

Rental Income

The City entered into a lease agreement effective May 1, 2012, with Reel Time Entertainment, Inc. to lease the Avenal Theater. Monthly rent of 5% of gross receipts from the operations of the theater is required for the first year. The monthly rent will escalate by .5% each year for the remaining 4 years of the lease, resulting in a monthly rent of 7% of gross receipts from the operations of the theater in the fifth year. There is an option to extend the lease for an additional five years with a monthly rent of 8% of gross receipts from the operations of the theater for the duration of the extension. For the entire duration of this lease and any extension, the City will receive 40% of the rent received from the use of the non-theater areas. Monthly rent is due by the 30th of each month. There was no rental income for the year ended June 30, 2015. The future minimum lease payments for this lease are not presented because the gross receipts from the operations of the theater were undeterminable as of the date of these financial statements. The initial total cost of leased assets as of June 30, 2015 is \$5,972,810 with related accumulated depreciation of \$617,190.

Rental Expense

The City entered into two lease agreements effective May 1, 2015 with Stanton Office Machine Company to lease copiers for City Hall and the Police Department. The City Hall copier lease is payable for 60 months with payments of \$363 per month plus applicable taxes. The Police Department copier lease is also payable for 60 months with payments of \$218 per month plus applicable taxes. The total lease payment for the year ended June 30, 2015 was \$581.

The City entered into a lease agreement effective March 1, 2015 with Avaya Financial Services to lease telephone equipment for City Hall. The telephone equipment lease is payable for 60 months with payments of \$169 per month plus applicable taxes. The total lease payment for the year ended June 30, 2015 was \$507.

Future minimum operating lease commitments are as follows:

Year Ending June 30,		
2016	\$	9,004
2017		9,004
2018		9,004
2019		7,916
	\$	<u>34,928</u>

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

NOTE 9 – COMPENSATED ABSENCES

The City’s policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$13,604 for governmental activities and \$20,365 for business-type activities at June 30, 2015 is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds.

	Balance July 1, 2014	Incurred	Satisfied	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 113,952	\$ 168,161	\$ (174,569)	\$ 107,544	\$ 93,940	\$ 13,604
Business-Type Activities:						
Compensated absences	\$ 70,052	\$ 9,497	\$ (15,205)	\$ 64,344	\$ 43,979	\$ 20,365

NOTE 10 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2015:

	Balance July 1, 2014	Incurred or Issued	Satisfied or Matured	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Revenue bonds	\$ 7,610,000	\$ -	\$ (305,000)	\$ 7,305,000	\$ 315,000	\$ 6,990,000
Capital lease	67,066	-	(67,066)	-	-	-
Total governmental activities	\$ 7,677,066	\$ -	\$ (372,066)	\$ 7,305,000	\$ 315,000	\$ 6,990,000

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

NOTE 10 – LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds

2005 Avenal Public Financing Authority Revenue Bonds

In September 2005, the City issued \$9,660,000 in revenue bonds. The bonds refinance the 1997 Avenal Public Financing Authority Refunding Revenue Bonds. The bonds authorized and issued have stated interest rates for each payment starting at 2.875% per annum and increasing annually to prescribed increments not exceeding .5% through the term of the bonds to a maximum of 5.0% per annum. The interest rate at June 30, 2015 was 4.10% per annum. These bonds are special obligations of the Authority and are payable solely from Public Finance Authority revenues. The Public Financing Authority maintains \$658,439 as a minimum reserve for the authorized bonds. Below is a schedule of remaining debt service:

Fiscal Years Ending	2005 Avenal Public Financing Authority Refunding Revenue Bonds		
	Principal	Interest	Total
2016	\$ 315,000	\$ 340,571	\$ 655,571
2017	330,000	326,861	656,861
2018	345,000	312,219	657,219
2019	360,000	296,798	656,798
2020	370,000	280,829	650,829
2021-2025	2,130,000	1,129,443	3,259,443
2025-2029	1,615,000	619,125	2,234,125
2030-2034	1,245,000	310,625	1,555,625
2036-2038	595,000	30,125	625,125
Totals	\$ 7,305,000	\$ 3,646,596	\$ 10,951,596

Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of police vehicles. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The final payment on the lease was made during the fiscal year ended June 30, 2015.

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 335,330
Less accumulated depreciation	(335,330)
Total	\$ -

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

NOTE 11 – 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 (police and animal control) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

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

	Miscellaneous	
	Prior to	On or after
	<u>January 1, 2013</u>	<u>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	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	12.094%	6.25%
	Safety	
	Prior to	On or after
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.0%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	25.819	6.25%

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

NOTE 11 – PENSION PLAN (Continued)

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

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

	Miscellaneous	Safety
Contributions - employer	\$ 164,317	\$ 6,707
Contributions - employee (paid by employer)	61,996	81,981

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,417,899
Safety	535,463
Total Net Pension Liability	\$ 1,953,362

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

	Miscellaneous	Safety
Proportion - June 30, 2013	0.0500%	0.0111%
Proportion - June 30, 2014	0.0547%	0.0143%
Change - Increase (Decrease)	0.0047%	0.0032%

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

NOTE 11 – PENSION PLAN (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$499,152. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 536,542	
Net difference between actual and allocated employer contributions	171,706	(24,275)
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(138,199)
Net differences between projected and actual earnings on plan investments	-	(433,708)
Total	\$ 708,248	\$ (596,182)

The amount of \$536,542 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (105,129)
2017	(105,129)
2018	(105,791)
2019	(108,427)
2020	-
Thereafter	-

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

NOTE 11 – PENSION PLAN (Continued)

C. Actuarial Assumptions

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

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾	7.5% ⁽²⁾
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

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

D. Discount Rate

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

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

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

NOTE 11 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

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

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

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

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

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

NOTE 11 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

	Miscellaneous		Safety
1% Decrease	6.50%		6.50%
Net Pension Liability	\$ 2,412,120		\$ 638,924
Current Discount Rate	7.50%		7.50%
Net Pension Liability	\$ 1,417,899		\$ 535,463
1% Increase	8.50%		8.50%
Net Pension Liability	\$ 592,790		\$ 450,216

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

At June 30, 2015, the City had no payable to report for an outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Plan Description

The City provides a self-funded, single employer, defined benefit plan to provide medical coverage for all eligible active and retired City employees. Retirees are currently covered by the CalPERS medical program as permitted under the Public Employees Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. This coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

B. Funding Policy

The City funds the benefits on a pay-as-you-go basis. The City’s contribution for each employee shall be the amount necessary to pay the full cost of an employee’s enrollment in a health benefit plan. Dependent coverage is available but, if elected, is paid by the employee. A covered spouse who survives the retiree, if entitled to survivor benefits under the CalPERS retirement program, may continue coverage and receive the premium subsidy for the remainder of his or her lifetime as well, provided they apply for benefits within 60 days of the employee’s death.

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

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

B. Funding Policy (Continued)

The City's annual other postemployment benefits (OPEB) cost for the first year of implementation of GASB Statement No. 45 is equal to the annual required contribution (ARC), an amount calculated in accordance with the parameters set forth in Statement No. 45. In subsequent years, the annual OPEB cost will be equal to the ARC plus an adjustment if the ARC is not funded each year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial accrued liabilities (UAAL) amortized over 28 years. The ARC rate is 20% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 813,348
Interest on net OPEB obligation	89,747
Adjustment to annual required contribution	<u>(95,954)</u>
Annual OPEB cost (expense)	807,141
Contribution made	<u>(71,981)</u>
Increase in net OPEB obligation	735,160
Net OPEB obligation - beginning of year	<u>1,994,379</u>
Net OPEB obligation - end of year	<u>\$ 2,729,539</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 is as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/2013	\$ 533,691	2.9%	\$ 2,203,882
6/30/2014	\$ 572,478	7.8%	\$ 1,994,379
6/30/2015	\$ 807,141	8.9%	\$ 2,729,539

D. Funded Status of Funding Progress

As of July 1, 2014, the actuarial accrued liability for benefits was \$5,151,665, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,251,674, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 229%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and actual value of assets, consistent with long-term perspective of the calculations.

Projections of benefits for financial reporting purposes are based on the following actuarial assumption:

In the July 1, 2014, actuarial valuation, the entry age normal cost, level percent of pay method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 6% after four years. Both rates include a 3% inflation assumption. The actuarial value of plan assets was based on market value of assets, which was \$0 as the plan had not been funded.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of cities for workers' compensation programs and the pooled liability program in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors which meets three to four times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by CSJVRMA.

CSJVRMA provides \$4,500,000 coverage limits in excess of the retained limit of \$500,000 and also participates in the California Association of Counties Excess Insurance Authority (CSAC-EIA) for coverage in excess of \$5,000,000 up to the statutory limit.

Under the pooled liability program, expected claims are actuarially determined and deposited with CSJVRMA along with all estimated operating costs. Each year is retrospectively adjusted five years following its conclusion and any funds remaining are returned to the City. Likewise, funds paid out in excess of the City's original deposit are collected from the City. The risk sharing pool covers the first \$1,000,000 of losses. CSJVRMA is a member of the California Affiliated Risk Management Authorities (CARMA), which provides coverage in excess of the retained limit up to \$29,000,000.

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

NOTE 13 – RISK MANAGEMENT (Continued)

The latest audited financial information and the most current information available for CSJVRMA for the fiscal year ended June 30, 2015:

Total assets	\$ 86,630,360
Total liabilities	<u>73,673,710</u>
Member's equity	<u>\$ 12,956,650</u>
Total revenues	\$ 39,167,782
Total expenses	<u>41,464,983</u>
Excess of income (loss) over expenses	<u>\$ (2,297,201)</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with governing documents.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Landfill

The City entered into a lease agreement with Madera Disposal Systems, Inc., a California Corporation. Madera Disposal Systems, Inc. will lease the City's landfill site. They will assume all liabilities associated with the landfill and in return they will pay the City a set rental fee plus \$30 per ton of waste accepted over 300 tons daily. The City will also have a guaranteed rate on tipping fees for City waste. The lease is for the permitted life on the landfill which ends in year 2029.

NOTE 15 – DEFICIT FUND EQUITY

The following funds had deficit fund balances as of June 30, 2015:

Governmental Funds:

Nonmajor Funds:

Community Block Grant Special Revenue Fund	\$ 167,901
Parks and Recreation Special Revenue Fund	\$ 9,794

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

NOTE 16 – SUCCESSOR AGENCY TRUST FUND

On January 26, 2013, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Assembly Bill 1X26 as part of City Resolution Number 2013-11.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably for the City.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Long term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2015 was comprised of the following:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Avenal 2005 Revenue Refunding Bond	<u>\$ 3,280,000</u>	<u>\$ -</u>	<u>\$ (195,000)</u>	<u>\$ 3,085,000</u>	<u>\$ 200,000</u>

2005 Avenal Public Finance Authority Refunding Revenue Bonds

In September 2005, the Agency issued \$4,585,000 in Refunding Revenue Bonds. The proceeds were used to refinance the 1997 Tax Allocation Bonds. The bonds authorized and issued have stated interest rates for each payment starting at 2.875% per annum and increasing annually in prescribed increments not exceeding .5% through the term of the bonds to a minimum of 5.0% per annum. The interest rate at June 30, 2013, was 3.75% per annum. The 2005 Revenue Refunding Bonds are repaid from the property tax revenues collected on properties within the redevelopment project area. The debt agreement requires a reserve account to be held by the trustee. Interest earned on the reserve account is applied to the interest owed.

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

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long Term Debt (Continued)

Annual debt service requirements to maturity for the Avenal 2005 Revenue Refunding Bonds are as follows:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 200,000	\$ 138,548	\$ 338,548
2017	210,000	129,833	339,833
2018	220,000	120,506	340,506
2019	230,000	110,663	340,663
2020	235,000	100,491	335,491
2021-2025	1,355,000	327,550	1,682,550
2026-2027	<u>635,000</u>	<u>32,125</u>	<u>667,125</u>
Total	<u>\$ 3,085,000</u>	<u>\$ 959,716</u>	<u>\$ 4,044,716</u>

NOTE 17 – CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLES

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

Government-Wide Financial Statements

Governmental Activities	\$ (871,909)
Business-Type Activities	<u>(1,006,776)</u>
Total Government-Wide Financial Statements	<u>\$ (1,878,685)</u>

Enterprise Fund Financial Statements

Water Fund	\$ (374,087)
Sewer Fund	(584,185)
Solid Waste Fund	<u>(48,504)</u>
Total Enterprise funds	<u>\$ (1,006,776)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVENAL
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b - a)/c) UAAL as a percentage of covered payroll
7/1/2014	\$ -	\$ 5,151,665	\$ 5,151,665	0%	\$ 2,251,674	229%

**CITY OF AVENAL
REQUIRED SUPPLEMENTARY INFORMATION**

**PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Proportion of the net pension liability	0.0574%	0.0143%
Proportionate share of the net pension liability	\$ 1,417,899	\$ 535,463
Covered - employee payroll	\$ 1,378,181	\$ 985,131
Proportionate share of the net pension liability as percentage of covered-employee payroll	102.88%	54.35%
Plan's fiduciary net position	\$ 6,076,450	\$ 535,557
Plan fiduciary net position as a percentage of the total pension liability	81.08%	69.34%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - None

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

**CITY OF AVENAL
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	
	Miscellaneous	Safety
Actuarially required contribution (actuarially determined)	\$ 152,182	\$ 222,856
Contributions in relation to the actuarially determined contributions	152,182	222,856
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 1,378,181	 \$ 985,131
Contributions as a percentage of covered-employee payroll	11.04%	22.62%

NOTES TO SCHEDULE

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

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

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,320,100	\$ 2,320,100	\$ 2,410,203	\$ 90,103
Other taxes	480,600	480,600	455,111	(25,489)
Intergovernmental revenues	237,600	237,600	442,017	204,417
Charges for services	65,100	65,100	93,190	28,090
Licenses and permits	97,300	97,300	58,613	(38,687)
Fines and penalties	33,500	34,000	171,116	137,116
Investment income	6,700	6,700	10,916	4,216
Rent	797,000	797,000	360,616	(436,384)
Other revenue	86,120	211,120	153,094	(58,026)
Total revenues	<u>4,124,020</u>	<u>4,249,520</u>	<u>4,154,876</u>	<u>(94,644)</u>
EXPENDITURES				
Current services:				
General government	575,592	728,460	511,529	216,931
Building regulations	132,935	136,885	96,165	40,720
Community development	243,325	246,541	203,614	42,927
Public safety:				
Law enforcement	2,898,156	3,005,022	2,671,850	333,172
Animal control	161,950	166,290	151,999	14,291
Parks and recreation	416,100	418,465	414,469	3,996
Capital outlay:				
General government	5,000	6,000	701	5,299
Community development	-	31,942	14,826	17,116
Parks and recreation	635,400	435,582	195,774	239,808
Public safety:				
Law enforcement	-	-	57,482	(57,482)
Debt service:				
Principal	68,000	68,000	67,066	934
Total expenditures	<u>5,136,458</u>	<u>5,243,187</u>	<u>4,385,475</u>	<u>857,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,012,438)</u>	<u>(993,667)</u>	<u>(230,599)</u>	<u>763,068</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	960	-	(960)
Transfers out	-	189,518	(128,673)	(318,191)
Total other financing sources (uses)	<u>-</u>	<u>190,478</u>	<u>(128,673)</u>	<u>(319,151)</u>
EXTRAORDINARY ITEM				
Transfer to successor agency	-	-	(189,818)	(189,818)
Net change in fund balances	(1,012,438)	(803,189)	(549,090)	254,099
Fund balance - beginning	<u>7,617,682</u>	<u>7,617,682</u>	<u>7,617,682</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,605,244</u>	<u>\$ 6,814,493</u>	<u>\$ 7,068,592</u>	<u>\$ 254,099</u>

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 34	\$ 34
Loan repayments	<u>-</u>	<u>-</u>	<u>4,585</u>	<u>4,585</u>
Total revenues	<u>-</u>	<u>-</u>	<u>4,619</u>	<u>4,619</u>
EXPENDITURES				
Current services:				
Community development	<u>-</u>	<u>120,172</u>	<u>124,780</u>	<u>(4,608)</u>
Total expenditures	<u>-</u>	<u>120,172</u>	<u>124,780</u>	<u>(4,608)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(120,172)</u>	<u>(120,161)</u>	<u>11</u>
Net change in fund balances	-	(120,172)	(120,161)	11
Fund balance - beginning	<u>120,172</u>	<u>120,172</u>	<u>120,172</u>	<u>-</u>
Fund balance - ending	<u>\$ 120,172</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CalHOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 364,652	\$ 364,652	\$ -	\$ (364,652)
Investment income	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Total revenues	<u>364,652</u>	<u>364,652</u>	<u>36</u>	<u>(364,616)</u>
EXPENDITURES				
Current services:				
Community development	<u>-</u>	<u>8,768</u>	<u>-</u>	<u>8,768</u>
Total expenditures	<u>-</u>	<u>8,768</u>	<u>-</u>	<u>8,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>364,652</u>	<u>355,884</u>	<u>36</u>	<u>(355,848)</u>
Net change in fund balances	364,652	355,884	36	(355,848)
Fund balance - beginning	<u>73,178</u>	<u>73,178</u>	<u>73,178</u>	<u>-</u>
Fund balance - ending	<u>\$ 437,830</u>	<u>\$ 429,062</u>	<u>\$ 73,214</u>	<u>\$ (355,848)</u>

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
HOME PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Loan repayments	\$ -	\$ -	\$ 2,400	\$ 2,400
Total revenues	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>2,400</u>
EXPENDITURES				
Community development	<u>-</u>	<u>1,100</u>	<u>2,400</u>	<u>(1,300)</u>
Net change in fund balances	-	(1,100)	-	1,100
Fund balance - beginning	<u>960</u>	<u>960</u>	<u>960</u>	<u>-</u>
Fund balance - ending	<u>\$ 960</u>	<u>\$ (140)</u>	<u>\$ 960</u>	<u>\$ 1,100</u>

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 462,149	\$ 462,149	\$ 592,402	\$ 130,253
Investment income	<u>500</u>	<u>500</u>	<u>372</u>	<u>(128)</u>
Total revenues	<u>462,649</u>	<u>462,649</u>	<u>592,774</u>	<u>130,125</u>
EXPENDITURES				
Current services:				
Highways and streets	457,000	465,590	328,514	137,076
Capital outlay:				
Highways and streets	<u>516,828</u>	<u>516,828</u>	<u>373,551</u>	<u>143,277</u>
Total expenditures	<u>973,828</u>	<u>982,418</u>	<u>702,065</u>	<u>280,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(511,179)</u>	<u>(519,769)</u>	<u>(109,291)</u>	<u>410,478</u>
Net change in fund balances	(511,179)	(519,769)	(109,291)	410,478
Fund balance - beginning	<u>930,045</u>	<u>930,045</u>	<u>930,045</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 418,866</u></u>	<u><u>\$ 410,276</u></u>	<u><u>\$ 820,754</u></u>	<u><u>\$ 410,478</u></u>

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

NOTE 1 – BUDGETARY INFORMATION

The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to June 1, the budget is legally adopted through passage of a resolution. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized as follows:
 - a) Items requiring City Council action – appropriation of fund balance revenues, transfers of appropriations between funds, appropriation of any non-departmental revenue, new interfund loans or advances, and creation of new capital projects or increases to existing capital projects.
 - b) Items delegated to the City Manager – transfers between departments within funds, appropriation of unbudgeted departmental revenues, and approval of transfers which increase salary and benefit appropriations.
 - c) Item delegated to department head – allocation of departmental appropriations to line item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue or enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service fund is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department”. A “department” for legal appropriation purposes may be a single organization, or an entire department having multiple organizations with the same fund, or an entire fund.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

The following fund incurred expenditures in excess of appropriations in the following amount for the year ended June 30, 2015:

General Fund	
Public Safety – Law Enforcement	\$ 57,482
CDBG Program Income Special Revenue Fund:	
Community development	\$ 4,608
HOME Program Income Special Revenue Fund:	
Community development	\$ 1,300

The excess expenditures were covered by available fund balance in the funds.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Local Transportation Funds

To account for Local Transportation Fund tax revenue restricted to street maintenance and construction.

HOME Investment Special Revenue Funds

To account for federal HOME grants activity.

Community Development Block Grant Funds

To account for annual federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate-income residents.

Parks and Recreation Grants Funds

To account for expenditures of the park and recreation grants from the State of California.

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements (other than those financed by proprietary funds).

Capital Improvement Project Fund

To accumulate revenues to fund specific projects designated by the City Council.

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 672,951	\$ 448,064	\$ 1,121,015
Receivables:			
Intergovernmental	46,052	-	46,052
Total assets	<u>\$ 719,003</u>	<u>\$ 448,064</u>	<u>\$ 1,167,067</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,915	\$ -	\$ 8,915
Total liabilities	223,747	-	223,747
Fund balances:			
Restricted for:			
Highways and streets	672,107	-	672,107
Community development	844	-	844
Committed:			
Capital projects	-	448,064	448,064
Unassigned	(177,695)	-	(177,695)
Total fund balances	495,256	448,064	943,320
Total liabilities and fund balances	<u>\$ 719,003</u>	<u>\$ 448,064</u>	<u>\$ 1,167,067</u>

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 696,008	\$ -	\$ 696,008
Investment income	288	396	684
Total revenues	696,296	396	696,692
EXPENDITURES			
Current:			
Community development	288,340	-	288,340
Highways and streets	1,500	-	1,500
Capital outlay:			
Parks and recreation	9,794	-	9,794
Highways and streets	287,564	-	287,564
Total expenditures	587,198	-	587,198
Excess (deficiency) of revenues over (under) expenditures	109,098	396	109,494
Net change in fund balances	109,098	396	109,494
Fund balances - beginning	386,158	447,668	833,826
Fund balances - ending	\$ 495,256	\$ 448,064	\$ 943,320

**CITY OF AVENAL
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015**

	Local Transportation	HOME Investment Special Revenue Funds	Community Development Block Grant Funds	Parks and Recreation	Totals
ASSETS					
Cash and investments	\$ 672,107	\$ 844	\$ -	\$ -	\$ 672,951
Receivables:					
Intergovernmental	-	-	46,052	-	46,052
Total assets	<u>\$ 672,107</u>	<u>\$ 844</u>	<u>\$ 46,052</u>	<u>\$ -</u>	<u>\$ 719,003</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 8,793	\$ 122	\$ 8,915
Interfund payables	-	-	205,160	9,672	214,832
Total liabilities	-	-	213,953	9,794	223,747
Fund balances:					
Restricted:					
Highways and streets	672,107	-	-	-	672,107
Community development	-	844	-	-	844
Unassigned	-	-	(167,901)	(9,794)	(177,695)
Total fund balances	<u>672,107</u>	<u>844</u>	<u>(167,901)</u>	<u>(9,794)</u>	<u>495,256</u>
Total liabilities and fund balances	<u>\$ 672,107</u>	<u>\$ 844</u>	<u>\$ 46,052</u>	<u>\$ -</u>	<u>\$ 719,003</u>

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

	Local Transportation	HOME Investment Special Revenue Funds	Community Development Block Grant Funds	Parks and Recreation	Totals
REVENUES					
Intergovernmental revenues	\$ 292,439	\$ 357,517	\$ 46,052	\$ -	\$ 696,008
Investment income	<u>288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Total revenues	<u>292,727</u>	<u>357,517</u>	<u>46,052</u>	<u>-</u>	<u>696,296</u>
EXPENDITURES					
Current:					
Community development	-	242,288	46,052	-	288,340
Streets	1,500	-	-	-	1,500
Capital outlay:					
Parks and recreation	-	-	-	9,794	9,794
Streets	<u>287,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,564</u>
Total expenditures	<u>289,064</u>	<u>242,288</u>	<u>46,052</u>	<u>9,794</u>	<u>587,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,663</u>	<u>115,229</u>	<u>-</u>	<u>(9,794)</u>	<u>109,098</u>
Net change in fund balances	3,663	115,229	-	(9,794)	109,098
Fund balances - beginning	<u>668,444</u>	<u>(114,385)</u>	<u>(167,901)</u>	<u>-</u>	<u>386,158</u>
Fund balances - ending	<u>\$ 672,107</u>	<u>\$ 844</u>	<u>\$ (167,901)</u>	<u>\$ (9,794)</u>	<u>\$ 495,256</u>

**CITY OF AVENAL
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2015**

	<u>Capital Improvement Project Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>448,064</u>
Total assets	\$ <u><u>448,064</u></u>
<u>LIABILITIES</u>	
Total Liabilities	\$ <u><u>-</u></u>
FUND BALANCE	
Fund balance:	
Committed:	
Capital projects	\$ <u>448,064</u>
Total fund balance	<u>448,064</u>
Total liabilities and fund balance	\$ <u><u>448,064</u></u>

**CITY OF AVENAL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Capital Improvement Project Fund</u>
REVENUES	
Intergovernmental revenues	
Investment income	\$ 396
Loan repayments	
 Total revenues	 <u>396</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	<u>-</u>
 Total other financing sources (uses)	 <u>-</u>
 Net change in fund balance	 396
 Fund balance - beginning	 <u>447,668</u>
 Fund balance - ending	 <u>\$ 448,064</u>

OTHER INDEPENDENT AUDITOR'S REPORT

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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 Avenal, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avenal, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2015-001 to be a material weakness.

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

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instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Finding

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
March 1, 2016

FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001

Condition: We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2015 were not effective. The closing process was not complete and, as a result, material audit adjustments were required and there were significant delays in completing the audit.

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

Cause: Substantial turnover in the City’s finance department resulted in a significant learning curve for the new staff, which created an environment that made it difficult for the new staff to close the accounting records and generate accurate reconciling schedules in a timely manner.

Effect: The City was not able to completely close its books and generate year-end accounting reconciliations in a timely manner. As a result, during the performance of the financial audit for the year ended June 30, 2015, there were delays and various schedules provided to the auditors required further reconciliation and adjustment.

Recommendation: We recommend that the City create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

Management Response: A checklist will be constructed for year-end procedures for all staff to complete all necessary reconciliations and reporting. We will review this with staff as well as with the auditors for completeness.

**CITY OF AVENAL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

None reported.