

**CITY OF KINGSBURG
CALIFORNIA**

FINANCIAL STATEMENTS

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

**CITY OF KINGSBURG
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Kingsburg, 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 City of Kingsburg, 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 Kingsburg, California, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the budgetary comparison information on pages 64-66, the proportionate share of net pension liability on page 67, and the schedule of contributions on page 68 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the City of Kingsburg'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
November 20, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The management of the City of Kingsburg is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of the City of Kingsburg as of and for the year ended June 30, 2015. The discussion should be read in conjunction with the financial statements and accompanying notes which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the basic financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, parks and community services, public safety, public works, highways and streets, and planning and community development. The business-type activities of the City include Water, Disposal, Ambulance and Building fee operations.

The government-wide financial statements include the Kingsburg Public Financing Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Financing Authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the City can be classified as governmental, proprietary and fiduciary.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a governments near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

The City of Kingsburg maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the General, Local Transportation Funds, Kingsburg Public Finance Authority, Assessment Districts and Street Projects funds which are considered to be major funds. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the City's funds. A budgetary comparison schedule has been provided for the General Fund and Local Transportation Funds to demonstrate compliance to this budget and can be found on pages 64-65.

The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The City has four enterprise funds, Water, Disposal, Ambulance and Building Fees, which are used to account for operations that financed and operated in a manner similar to private business enterprises. Enterprise funds are used to report the same functions represented as business-type activities in the government-wide financial statements. The City utilizes enterprise funds to account for those activities that are supported primarily by user charges to external users. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, disposal, ambulance, and building fees, all of which are major funds. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. The City uses fiduciary funds to account for resources held for the benefits of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the City's operations and significant accounting policies and provide clarification regarding unique financial information. The notes to the financial basic statements can be found on pages 32-62 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-68 of this report.

The statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Statements and schedules can be found on pages 70-79 of this report.

Financial Highlights

Government-wide financial highlights for the fiscal year ended June 30, 2015:

I. Statement of Net Position

Condensed Statement of Net Position

	2015	2014	
\$	34,475,432	\$ 31,037,123	Government-wide total assets at fiscal year ending June 30, 2015 increased by \$3,438,309 which is 9.97% higher than fiscal year ending June 30, 2014.
\$	14,458,545	\$ 10,367,148	Government-wide total liabilities at fiscal year ending June 30, 2015 increased by \$4,091,397 which is 28.29% more than fiscal year ending June 30, 2014.
\$	(186,529)	\$ -	Net of Deferred Outflows/Inflows of Resources - Result of contribution to pension plan in current fiscal year, pension deferrals and loss of refunding of debt..
\$	19,830,358	\$ 20,669,975	The Net Position (assets less liabilities) at fiscal year ending June 30, 2015 decreased by \$839,617 which is 4.23% less than fiscal year ending June 30, 2014. The net position includes (\$186,529) of deferred outflows/inflows of resources.

Statement of Net Position (Detail)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 10,626,546	\$ 10,729,282	\$ (733,881)	\$(2,762,567)	\$ 9,892,665	\$ 7,966,715
Capital assets	15,129,769	14,126,070	9,452,998	8,944,338	24,582,767	23,070,408
Total Assets	<u>25,756,315</u>	<u>24,855,352</u>	<u>8,719,117</u>	<u>6,181,771</u>	<u>34,475,432</u>	<u>31,037,123</u>
Deferred Outflows of Resources:						
Total deferred outflows of resources	529,835	-	311,826	-	841,661	-
Liabilities:						
Current and other liabilities	209,152	442,515	658,066	568,893	867,218	1,011,408
Long-term liabilities	8,128,356	5,526,986	5,462,971	3,828,754	13,591,327	9,355,740
Total Liabilities	<u>8,337,508</u>	<u>5,969,501</u>	<u>6,121,037</u>	<u>4,397,647</u>	<u>14,458,545</u>	<u>10,367,148</u>
Deferred Inflows of Resources:						
Total deferred inflows of resources	680,613	-	347,577	-	1,028,190	-
Net Position:						
Net investment in capital assets	11,010,739	8,958,525	6,998,393	6,408,380	18,009,132	15,366,905
Restricted	8,593,486	9,678,997	-	-	8,593,486	9,678,997
Unrestricted	(2,336,196)	248,329	(4,436,064)	(4,624,256)	(6,772,260)	(4,375,927)
Total Net Position	<u>\$ 17,268,029</u>	<u>\$ 18,885,851</u>	<u>\$ 2,562,329</u>	<u>\$ 1,784,124</u>	<u>\$ 19,830,358</u>	<u>\$ 20,669,975</u>

Of the total net position, \$18,009,132 or 90% is the City's investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

The Statement of Net Position reflects a net effect of (\$186,529) a separate section for deferred outflows of resources (asset) and a deferred inflow of resources (liability) for other pension related deferrals, and loss of refunding of debt.

GASB Statement No. 68 was issued to improve accounting and financial reporting by state and local governments for pensions. The net pension liability amount is \$5,591,747 and is described in Note 11.

Almost all the City's long-term liabilities relate to the acquisition of capital assets. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position amounts to \$8,593,486 or 43% of the total. Restricted net position represents resources that are subject to external restriction imposed by the State on how they may be used.

Unrestricted net position represents resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position is (\$2,336,196) while the business-type activities account for (\$4,436,064). The City can only use this amount to finance the continuing operations of the water, disposal, ambulance and building fees.

Governmental Activities. Governmental activities account for \$17,268,029 or 87% of the total government-wide net position. This is a decrease of \$1,617,822 or 8% over the June 30, 2014 governmental net position ending balance.

Changes in Net Position

Statement of Revenues, Expenses and Change in Net Position (Condensed)

	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 15,217,423	\$ 11,399,365
Operating Expenses	10,181,057	10,070,468
Increase in Net Position	5,036,366	1,328,897
Prior Period Adjustment	(5,875,983)	81,851
Net Position, Beginning of Year	20,669,975	19,259,227
Net Position, End of Year	<u>\$ 19,830,358</u>	<u>\$ 20,669,975</u>

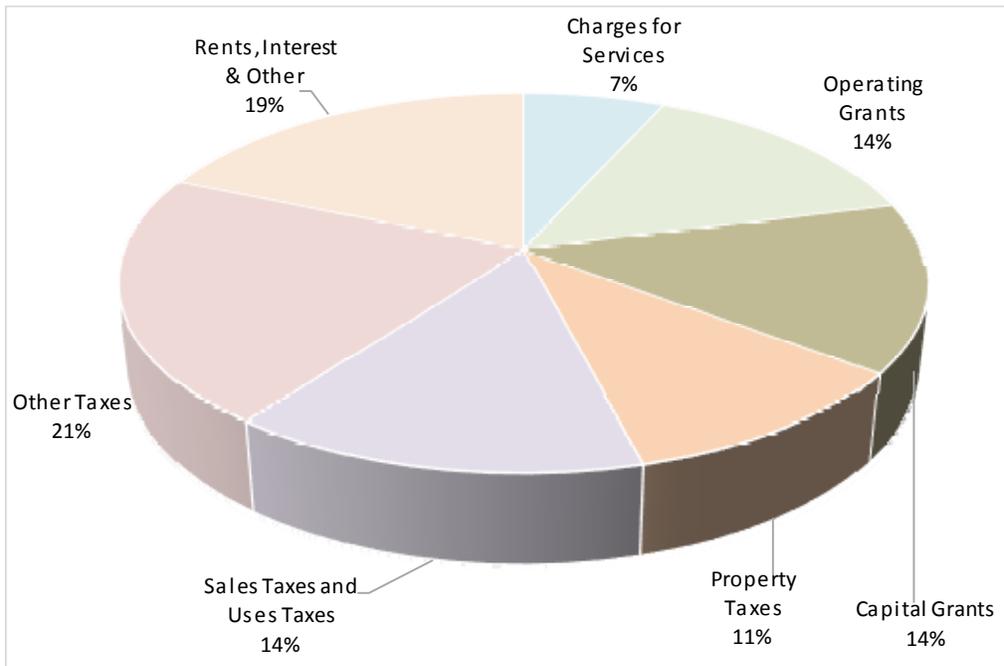
Changes in Net Position (Detail)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 562,899	\$ 713,585	\$ 6,663,665	\$ 4,598,066	\$ 7,226,564	\$ 5,311,651
Operating Grants	1,191,204	1,303,802	199,462	203,192	1,390,666	1,506,994
Capital Grants	1,189,281	284,076	-	-	1,189,281	284,076
General Revenues:						
Property Taxes	891,467	877,251	-	-	891,467	877,251
Sales Taxes and Uses Taxes	1,195,203	1,123,783	-	-	1,195,203	1,123,783
Other Taxes	1,767,732	1,877,109	-	-	1,767,732	1,877,109
Rents, Interest and Other	1,555,192	417,420	1,318	1,081	1,556,510	418,501
Total Revenues	8,352,978	6,597,026	6,864,445	4,802,339	15,217,423	11,399,365
Expenses:						
General Government	933,367	699,807	-	-	933,367	699,807
Parks and community services	430,240	387,003	-	-	430,240	387,003
Public safety	1,785,462	1,927,391	-	-	1,785,462	1,927,391
Public works	814,979	778,900	-	-	814,979	778,900
Highway and streets	380,773	434,677	-	-	380,773	434,677
Planning and community development	189,723	104,243	-	-	189,723	104,243
Interest	300,066	437,404	-	-	300,066	437,404
Water	-	-	1,716,307	1,886,697	1,716,307	1,886,697
Disposal	-	-	1,810,815	1,697,655	1,810,815	1,697,655
Ambulance	-	-	1,705,874	1,649,811	1,705,874	1,649,811
Building Fee	-	-	113,451	66,880	113,451	66,880
Total Expenses	4,834,610	4,769,425	5,346,447	5,301,043	10,181,057	10,070,468
Increase (decrease) in Net Position before transfers	3,518,368	1,827,601	1,517,998	(498,704)	5,036,366	1,328,897
Transfers	(1,126,357)	(794,705)	1,126,357	794,705	-	-
Increase (decrease) in Net Position	2,392,011	1,032,896	2,644,355	296,001	5,036,366	1,328,897
Net Position - Beginning	18,885,851	17,740,593	1,784,124	1,518,634	20,669,975	19,259,227
Prior Period Adjustments	(4,009,833)	112,362	(1,866,150)	(30,511)	(5,875,983)	81,851
Net Position - Ending	<u>\$ 17,268,029</u>	<u>\$ 18,885,851</u>	<u>\$ 2,562,329</u>	<u>\$ 1,784,124</u>	<u>\$ 19,830,358</u>	<u>\$ 20,669,975</u>

Total governmental revenues for the year were \$8,352,978 with charges for services comprising of 7% of the total revenue. Taxes, which include property, sales and other taxes, account for \$3,854,402 or 46% of the City's governmental activities revenue.

Total governmental expenses for the year were \$4,834,610. Public Safety accounts for \$1,785,462 or 37% of the total governmental activities expenses, followed by General Government, Public Works, Parks and Community Services and Highway and streets with \$933,367, \$814,979, \$430,240 and \$380,773 or 19%, 17%, 9% and 8%, respectively.

Revenues by Source-Governmental Activities

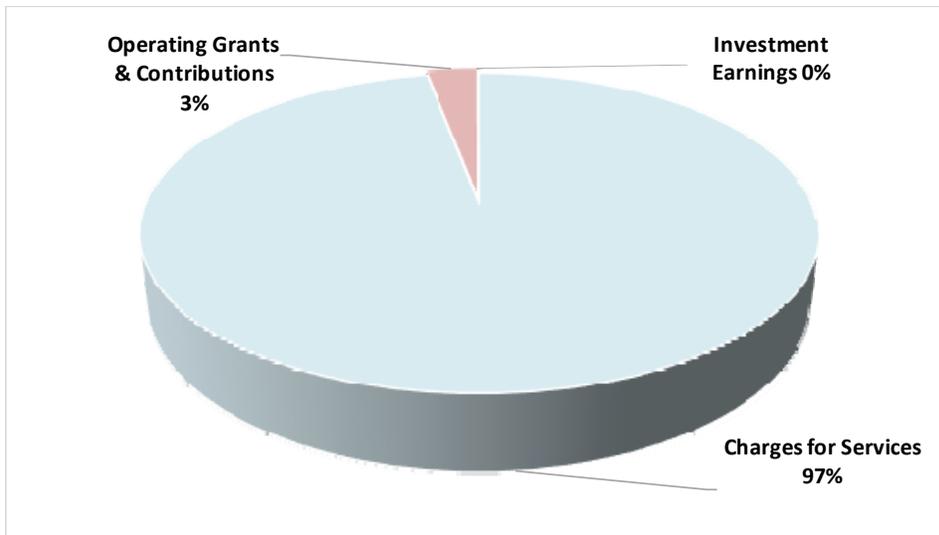


Program revenues which include charges for services, grant revenues and developer capital contributions account for \$2,943,384 or approximately 35% of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up by “general” revenues such as taxes, interest and developer fees.

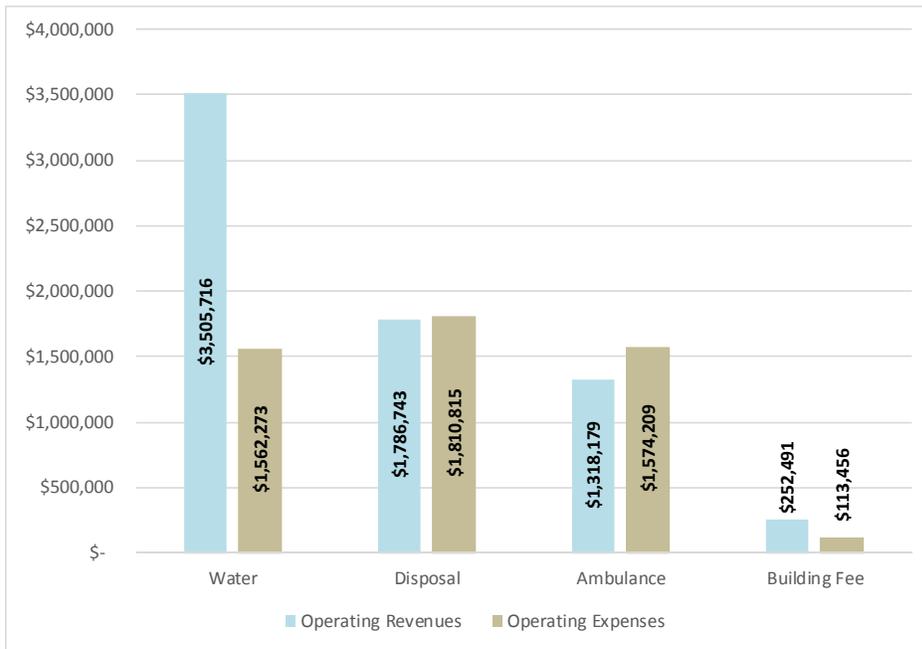
Business-Type Activities

Business-type activities account for \$2,562,329 or 12% of the total government-wide net position. This is an increase of \$778,205 or 30% compared to June 30, 2014. Charges for current services account for \$6,663,662 or 97% of the total business-type activity revenue (excluding transfers).

Revenues by Source-Business Type Activities



Operating Expenses and Operating Revenues-Business Type Activities



In a review of the chart illustrating Operating Expenses and Operating Revenues, it can be noted that operating revenues exceeded operating expenses in Water by \$1,943,443. Of this, \$1,371,222 is revenue recognized as receivable from property owners as a charge for the purchase of the water meters. As of June 30, 2015, the outstanding balance of receivable from property owners for the water meters was \$1,033,094. Building Fees operating revenues also exceeded operating expenses by \$139,035. Disposal and Ambulance expenses exceeded operating revenues by approximately \$280,102 for fiscal year ending June 30, 2015.

Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The ending fund balance for all governmental funds is \$10,390,462, which is an increase of \$358,252 or 4% when compared to the prior year balance (page 20). Of the total fund balance, \$1,634,207 or 15% is unassigned, which is available for spending at the City's discretion, within the limitations of the fund's purpose. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted for the following:

- Capital Improvement projects \$1,791,546
- Circulation improvements 2,433,074
- Debt service reserve 3,769,607
- Public safety programs 24,870
- Low-income housing activities 574,389

The General Fund is the chief operating fund of the City. As of June 30, 2015 the total fund balance of the General Fund was \$2,606,071 with unassigned fund balance of \$2,443,302. The General Fund total fund balance increased \$1,144,573 or 78% from the previous fiscal year. This increase was primarily due to a one-time land sale. The unassigned portion, as indicated, is available for spending at the City's discretion. The increase in the General Fund balance indicates that the General Fund had more revenues and transfers in than it had expenditures and transfers out.

Proprietary Funds. As indicated in the description, proprietary funds are enterprise funds. All the City's enterprise funds ended the year with positive unrestricted net position.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual on page 64 outlines the differences between the budget and actual numbers. The City experienced \$363,258 or 8% more total revenues and \$533,318 or 15% decrease in total expenditures that the final budget allowed for. Revenues and transfers exceeded expenditures and transfers out and increased the General Fund balance by \$1,144,573.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$24,582,767 (net of depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and infrastructure.

Major capital additions this year include the following:

- Building Improvements \$277,839
- Infrastructure Improvements \$1,025,948
- Machinery and Equipment \$73,878
- Construction in Progress (CIP) \$1,370,712

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 587,014	\$ 669,243	\$ 83,216	\$ 83,216	\$ 670,230	\$ 752,459
Buildings and Improvements	2,070,171	2,143,378	7,646,538	7,698,741	9,716,709	9,842,119
Machinery and Equipment	556,035	588,786	108,884	165,529	664,919	754,315
Construction in Progress	1,209,547	729,361	1,614,360	996,852	2,823,907	1,726,213
Infrastructure	10,707,002	9,995,302	-	-	10,707,002	9,995,302
Total	<u>\$ 15,129,769</u>	<u>\$ 14,126,070</u>	<u>\$ 9,452,998</u>	<u>\$ 8,944,338</u>	<u>\$ 24,582,767</u>	<u>\$ 23,070,408</u>

Additional information on the City's capital assets can be found in Note 6 on pages 47-48.

Long-term Debt. The City's long-term debt as of June 30, 2015 was \$7,471,716 with governmental activities accounting for \$4,139,100 or 55% and business-type activities accounting for \$3,332,616 or 45%.

The City consolidated the PFA Revenue Bond 1991 & 1992 into the PFA Refunding Revenue Bonds Series 2015. This resulted in a historically low interest rate with a net surplus to the City of \$441,078. Additionally, the City also refinanced the 2004 Lease Revenue Bond to the PFA 2015 Lease Revenue Refunding Bond. This bond was rated by Standard & Poors, and was given an A+ rating based on the City's existing financial policies and fund balance strength, and with a low interest rate of 3.25%. The City was able to greatly reduce annual obligations and improve overall cash flow to the Ambulance Fund (enterprise fund), as well as the Fire Capital Facilities Fund.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
PFA Revenue Bond, Series 1991	\$ -	\$ 1,085,000	\$ -	\$ -	\$ -	\$ 1,085,000
PFA Revenue Bond, Series 1992	-	1,340,000	-	-	-	1,340,000
PFA Fire Department Lease Revenue Bonds	-	2,765,000	-	-	-	2,765,000
PFA Refunding Revenue Bonds, Series 2015	1,439,100	-	-	-	1,439,100	-
PFA 2015 Lease Revenue Refunding Bonds	2,700,000	-	-	-	2,700,000	-
CIEDB Water Loan	-	-	2,344,942	2,429,858	2,344,942	2,429,858
Water Meter Capital Lease	-	-	987,674	1,093,774	987,674	1,093,774
Total	<u>\$ 4,139,100</u>	<u>\$ 5,190,000</u>	<u>\$ 3,332,616</u>	<u>\$ 3,523,632</u>	<u>\$ 7,471,716</u>	<u>\$ 8,713,632</u>

Additional information on the City's long-term debt can be found in Note 8 on pages 49-52.

Economic Factors and Next Year's Budgets

As the nation's economy continues to rebound from the recession of 2008, the City has tempered optimism in the form of increased sales tax, property taxes, and the upswing in development (both residential and commercial). Kingsburg's local economy continues to perform well and there are signs of renewed economic activity. Local unemployment, while still trending higher than the national average, remains one of the lowest in the area. Kingsburg continues to strive to find new ways to improve overall economic outlook.

Although the State's economy is strengthening, it's no secret that the State of California is in the midst of one of the worst droughts ever experienced. With record low rainfall and snowpack, Governor Brown has mandated water conservation across the State. With the installation of 1,800 meters on homes built before 1992, Kingsburg has positioned itself to be a leader in water conservation. With a mandate of 36% across the board cuts, the City has implemented new watering regulations as well as an incentive program to improve conservation participation City-wide.

Other factors impacting local governments include changes to pension contribution rates and the impacts of the Affordable Care Act on the health insurance industry. These two employee benefits must be part of an elongated view in order to carefully evaluate their impacts in the years to come.

Total City-wide revenue budgeted for fiscal year 2015-2016 is \$15,872,395 with expenditures budgeted at \$15,739,741. City-wide capital expenditures are budgeted for \$3,190,587 which will be funded by a variety of funding sources. The 2015-16 budget offers an opportunity to meet the expectations of our citizens through proper allocation of funds.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Kingsburg, 1401 Draper Street, Kingsburg, CA 93631.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 5,034,408	\$ 469,831	\$ 5,504,239
Restricted cash and investments	150,580	-	150,580
Accounts and interest receivable, net	1,234,400	2,006,288	3,240,688
Notes receivable	162,769	-	162,769
Due from Successor Agency	260,000	-	260,000
Land held for low and moderate housing projects	574,389	-	574,389
Internal balances	3,210,000	(3,210,000)	-
Capital assets, non depreciable	1,796,561	1,697,576	3,494,137
Capital assets, net of allowance for depreciation	<u>13,333,208</u>	<u>7,755,422</u>	<u>21,088,630</u>
 Total assets	 <u>25,756,315</u>	 <u>8,719,117</u>	 <u>34,475,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	104,205	-	104,205
Deferred outflows from pensions	<u>425,630</u>	<u>311,826</u>	<u>737,456</u>
Total deferred outflows of resources	<u>529,835</u>	<u>311,826</u>	<u>841,661</u>
LIABILITIES			
Accounts payable and accrued expenses	187,601	601,304	788,905
Accrued interest payable	15,051	56,762	71,813
Deposits	6,500	-	6,500
Net pension liability	3,768,442	1,823,305	5,591,747
Long-term liabilities:			
Due within one year	481,847	301,823	783,670
Due in more than one year	<u>3,878,067</u>	<u>3,337,843</u>	<u>7,215,910</u>
Total liabilities	<u>8,337,508</u>	<u>6,121,037</u>	<u>14,458,545</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>680,613</u>	<u>347,577</u>	<u>1,028,190</u>
NET POSITION			
Net investment in capital assets	11,010,739	6,998,393	18,009,132
Restricted for:			
Capital improvement projects	1,791,546	-	1,791,546
Circulation improvements	2,433,074	-	2,433,074
Debt service reserve	3,769,607	-	3,769,607
Public safety programs	24,870	-	24,870
Low-income housing activities	574,389	-	574,389
Unrestricted/(deficit)	<u>(2,336,196)</u>	<u>(4,436,064)</u>	<u>(6,772,260)</u>
Total net position	<u>\$ 17,268,029</u>	<u>\$ 2,562,329</u>	<u>\$ 19,830,358</u>

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

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

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 933,367	\$ 2,229	\$ -	\$ -	\$ (931,138)	\$ -	\$ (931,138)
Parks and community services	430,240	201,758	14,200	18,564	(195,718)	-	(195,718)
Public safety	1,785,462	45,841	106,622	-	(1,632,999)	-	(1,632,999)
Public works	814,979	11,998	-	-	(802,981)	-	(802,981)
Highway and streets	380,773	-	1,003,689	1,170,717	1,793,633	-	1,793,633
Planning and community development	189,723	301,073	66,693	-	178,043	-	178,043
Interest	300,066	-	-	-	(300,066)	-	(300,066)
Total governmental activities	<u>4,834,610</u>	<u>562,899</u>	<u>1,191,204</u>	<u>1,189,281</u>	<u>(1,891,226)</u>	<u>-</u>	<u>(1,891,226)</u>
Business-type activities:							
Water	1,716,307	3,505,711	-	-	-	1,789,404	1,789,404
Disposal	1,810,815	1,786,744	-	-	-	(24,071)	(24,071)
Ambulance	1,705,874	1,118,719	199,462	-	-	(387,693)	(387,693)
Building fee	113,451	252,491	-	-	-	139,040	139,040
Total business-type activities	<u>5,346,447</u>	<u>6,663,665</u>	<u>199,462</u>	<u>-</u>	<u>-</u>	<u>1,516,680</u>	<u>1,516,680</u>
Total	<u>\$ 10,181,057</u>	<u>\$ 7,226,564</u>	<u>\$ 1,390,666</u>	<u>\$ 1,189,281</u>	<u>(1,891,226)</u>	<u>1,516,680</u>	<u>(374,546)</u>
General revenues:							
Property taxes				891,467	-	891,467	
Sales and use taxes				1,195,203	-	1,195,203	
Franchise taxes				227,745	-	227,745	
Special assessments				227,861	-	227,861	
Business licenses and transient occupancy taxes				421,535	-	421,535	
Motor vehicle in-lieu				890,591	-	890,591	
Investment earnings				281,981	1,318	283,299	
Miscellaneous				160,211	-	160,211	
Gain/loss on sale of capital assets				1,113,000	-	1,113,000	
Transfers				(1,126,357)	1,126,357	-	
Total general revenues and transfers				<u>4,283,237</u>	<u>1,127,675</u>	<u>5,410,912</u>	
Change in net position				2,392,011	2,644,355	5,036,366	
Net position - beginning				18,885,851	1,784,124	20,669,975	
Prior period adjustments				(4,009,833)	(1,866,150)	(5,875,983)	
Net position - ending				<u>\$ 17,268,029</u>	<u>\$ 2,562,329</u>	<u>\$ 19,830,358</u>	

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

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FUND FINANCIAL STATEMENTS

CITY OF KINGSBURG
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Special	Debt Service Funds		Capital	Other	Total
		Revenue Fund	Kingsburg	Assessment	Projects Fund		
		Local	Public	Districts	Street	Funds	Funds
		Transportation	Finance		Projects		
		Funds	Authority				
ASSETS							
Cash and investments							
Unrestricted	\$ 649,772	\$ 1,397,928	\$ -	\$ 156,078	\$ -	\$ 2,830,630	\$ 5,034,408
Restricted	-	-	150,580	-	-	-	150,580
Accounts and interest receivable	307,287	371	-	1,163	890,422	35,157	1,234,400
Notes receivable	162,769	-	-	-	-	-	162,769
Due from Successor Agency	-	-	260,000	-	-	-	260,000
Land held for low and moderate housing projects	-	-	-	-	-	574,389	574,389
Due from other funds	1,638,719	-	-	-	-	-	1,638,719
Advances to other funds	-	-	3,984,000	-	-	-	3,984,000
	<u>-</u>	<u>-</u>	<u>3,984,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,984,000</u>
Total assets	<u>\$ 2,758,547</u>	<u>\$ 1,398,299</u>	<u>\$ 4,394,580</u>	<u>\$ 157,241</u>	<u>\$ 890,422</u>	<u>\$ 3,440,176</u>	<u>\$ 13,039,265</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expense	\$ 145,976	\$ 376	\$ -	\$ -	\$ 24,259	\$ 16,991	\$ 187,602
Deposits	6,500	-	-	-	-	-	6,500
Due to other funds	-	-	624,973	-	1,012,359	1,387	1,638,719
Advances from other funds	-	-	-	774,000	-	-	774,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>774,000</u>	<u>-</u>	<u>-</u>	<u>774,000</u>
Total liabilities	<u>152,476</u>	<u>376</u>	<u>624,973</u>	<u>774,000</u>	<u>1,036,618</u>	<u>18,378</u>	<u>2,606,821</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	-	-	-	41,982	-	41,982
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,982</u>	<u>-</u>	<u>41,982</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,982</u>	<u>-</u>	<u>41,982</u>
Fund balances:							
Nonspendable:							
Notes receivable	162,769	-	-	-	-	-	162,769
Restricted:							
Capital improvement projects	-	-	-	-	-	1,791,546	1,791,546
Circulation improvements	-	1,397,923	-	-	-	1,035,151	2,433,074
Debt service reserve	-	-	3,769,607	-	-	-	3,769,607
Public safety programs	-	-	-	-	-	24,870	24,870
Low-income housing activities	-	-	-	-	-	574,389	574,389
Unassigned	2,443,302	-	-	(616,759)	(188,178)	(4,158)	1,634,207
	<u>2,443,302</u>	<u>-</u>	<u>-</u>	<u>(616,759)</u>	<u>(188,178)</u>	<u>(4,158)</u>	<u>1,634,207</u>
Total fund balances	<u>2,606,071</u>	<u>1,397,923</u>	<u>3,769,607</u>	<u>(616,759)</u>	<u>(188,178)</u>	<u>3,421,798</u>	<u>10,390,462</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,758,547</u>	<u>\$ 1,398,299</u>	<u>\$ 4,394,580</u>	<u>\$ 157,241</u>	<u>\$ 890,422</u>	<u>\$ 3,440,176</u>	<u>\$ 13,039,265</u>

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

**CITY OF KINGSBURG
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE 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	\$	10,390,462
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported in the governmental funds.		15,129,769
Expenditures relating to issuance of debt were recognized in the governmental funds, but are capitalized and amortized over the life of the debt in the statement of net position.		104,205
Long-term liabilities were not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Revenue bonds	(4,139,100)	
Unamortized bond discounts	20,070	
Compensated absences	(240,884)	
Net pension liability	<u>(3,768,442)</u>	(8,128,356)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		41,983
Pension related deferrals are reported as deferred outflows and inflows of resources		(254,983)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources; however, accrued interest must be recorded in the government-wide financial statements when incurred.		<u>(15,051)</u>
Total net position - governmental activities	\$	<u>17,268,029</u>

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

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

	Special Revenue Fund			Debt Service Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Local	Kingsburg Public Finance Authority	Assessment Districts	Street Projects			
		Transportation Funds						
REVENUES								
Taxes	\$ 2,661,537	\$ -	\$ -	\$ 144,542	\$ -	\$ -	\$ -	\$ 2,806,079
Licenses and permits	1,050,552	-	-	-	-	-	-	1,050,552
Intergovernmental	67,085	374,983	-	-	1,494,753	749,135	-	2,685,956
Charges for services	358,346	-	-	-	-	-	-	358,346
Fines and penalties	14,854	-	-	-	-	-	-	14,854
Development fees	-	-	-	-	-	-	206,034	206,034
Interest	3,299	736	276,115	1	15	1,816	-	281,982
Other revenue	163,996	-	-	-	-	6,899	-	170,895
Total revenues	4,319,669	375,719	276,115	144,543	1,494,768	963,884		7,574,698
EXPENDITURES								
Current:								
General government	626,251	-	-	-	-	3,895	-	630,146
Parks and community services	318,724	-	-	-	-	55,881	-	374,605
Public safety	1,805,649	-	-	-	-	-	-	1,805,649
Public works	460,645	-	-	-	-	1,000	-	461,645
Highway and streets	-	29,805	-	-	-	342,872	-	372,677
Planning and community development	186,215	-	-	-	-	3,000	-	189,215
Capital outlay	127,379	37,312	-	-	1,286,983	181,931	-	1,633,605
Debt service:								
Principal	-	-	5,190,000	-	-	-	-	5,190,000
Interest and fiscal charges	-	-	391,895	86,205	-	-	-	478,100
Bond issuance costs	-	-	268,580	-	-	-	-	268,580
Total expenditures	3,524,863	67,117	5,850,475	86,205	1,286,983	588,579		11,404,222
Excess (deficiency) of revenues over (under) expenditures	794,806	308,602	(5,574,360)	58,338	207,785	375,305		(3,829,524)
OTHER FINANCING SOURCES (USES)								
Transfers in	183,230	-	-	-	-	46,938	-	230,168
Transfers out	(1,028,692)	-	(9,938)	-	-	(317,895)	-	(1,356,525)
Sale of general capital assets	1,195,229	-	-	-	-	-	-	1,195,229
Refunding bonds issued	-	-	4,139,100	-	-	-	-	4,139,100
Discount on bonds issued	-	-	(20,196)	-	-	-	-	(20,196)
Total other financing sources (uses)	349,767	-	4,108,966	-	-	(270,957)		4,187,776
Change in fund balances	1,144,573	308,602	(1,465,394)	58,338	207,785	104,348		358,252
Fund balances - beginning	1,461,498	1,089,321	5,235,001	(675,097)	(395,963)	3,317,450		10,032,210
Fund balances - ending	\$ 2,606,071	\$ 1,397,923	\$ 3,769,607	\$ (616,759)	\$ (188,178)	\$ 3,421,798		\$ 10,390,462

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

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

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

Net change in fund balances - total governmental funds	\$ 358,252
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	1,600,343
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(359,928)
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(514,415)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(82,229)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	118,557
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	(324,036)
In the statement of activities, interest is accrued on long-term debt; whereas, in governmental funds, interest expenditure is recorded when paid.	96,410
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	346,337
The issuance of long-term debt (eg., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,152,720</u>
Change in net position of governmental activities	<u>\$ 2,392,011</u>

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PROPRIETARY FUNDS

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

	Water	Disposal	Ambulance	Building Fees	Total Proprietary Funds
ASSETS					
Current assets:					
Cash and investments	\$ 469,830	\$ -	\$ -	\$ -	\$ 469,830
Accounts and interest receivable, net	1,166,247	182,964	657,077	-	2,006,288
Due from other funds	1,910,304	-	-	-	1,910,304
Total current assets	3,546,381	182,964	657,077	-	4,386,422
Noncurrent assets:					
Property, plant and equipment, net of accumulated depreciation	6,132,725	7,737	3,312,536	-	9,452,998
Total noncurrent assets	6,132,725	7,737	3,312,536	-	9,452,998
Total assets	9,679,106	190,701	3,969,613	-	13,839,420
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pensions	44,089	12,951	254,787	-	311,827
Total deferred outflows of resources	44,089	12,951	254,787	-	311,827
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	386,570	157,541	57,192	-	601,303
Accrued interest payable	56,762	-	-	-	56,762
Due to other funds	-	94,157	1,816,147	-	1,910,304
Compensated absences	28,145	9,189	67,380	-	104,714
Current portion of long-term debt	197,109	-	-	-	197,109
Total current liabilities	668,586	260,887	1,940,719	-	2,870,192
Noncurrent liabilities:					
Long-term debt	2,257,496	-	-	-	2,257,496
Capital lease payable	878,011	-	-	-	878,011
Advances from other funds	510,000	-	2,700,000	-	3,210,000
Compensated absences	44,406	13,284	144,646	-	202,336
Net pension liability	506,459	148,774	1,168,072	-	1,823,305
Total noncurrent liabilities	4,196,372	162,058	4,012,718	-	8,371,148
Total liabilities	4,864,958	422,945	5,953,437	-	11,241,340
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	143,520	42,160	161,898	-	347,578
Total deferred inflows of resources	143,520	42,160	161,898	-	347,578
NET POSITION					
Net investment in capital assets	3,678,120	7,737	3,312,536	-	6,998,393
Unrestricted	1,036,597	(269,190)	(5,203,471)	-	(4,436,064)
Total net position (deficit)	\$ 4,714,717	\$ (261,453)	\$ (1,890,935)	\$ -	\$ 2,562,329

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

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

	Water	Disposal	Ambulance	Building Fees	Total Proprietary Funds
OPERATING REVENUES:					
Charges for services	\$ 3,505,716	\$ 1,786,744	\$ 1,118,719	\$ -	\$ 6,411,179
Development fees	-	-	-	252,491	252,491
Operating grants	-	-	199,462	-	199,462
Total operating revenue	<u>3,505,716</u>	<u>1,786,744</u>	<u>1,318,181</u>	<u>252,491</u>	<u>\$ 6,863,132</u>
OPERATING EXPENSES:					
Contractual services and utilities	740,370	1,621,916	241,668	21,086	2,625,040
Personnel services	491,357	157,446	1,156,491	86,954	1,892,248
Supplies and materials	66,029	29,390	80,798	891	177,108
Bad debt expense	1	-	-	-	1
Depreciation and amortization	264,516	2,063	95,252	4,525	366,356
Total operating expenses	<u>1,562,273</u>	<u>1,810,815</u>	<u>1,574,209</u>	<u>113,456</u>	<u>5,060,753</u>
Operating income (loss)	<u>1,943,443</u>	<u>(24,071)</u>	<u>(256,028)</u>	<u>139,035</u>	<u>1,802,379</u>
NONOPERATING REVENUES (EXPENSES):					
Interest income	1,318	-	-	-	1,318
Interest and fiscal charges	(154,034)	-	(131,665)	-	(285,699)
Total nonoperating revenues (expenses)	<u>(152,716)</u>	<u>-</u>	<u>(131,665)</u>	<u>-</u>	<u>(284,381)</u>
Net income (loss) before transfers	<u>1,790,727</u>	<u>(24,071)</u>	<u>(387,693)</u>	<u>139,035</u>	<u>1,517,998</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	796,665	329,692	1,126,357
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>796,665</u>	<u>329,692</u>	<u>1,126,357</u>
Change in net position	1,790,727	(24,071)	408,972	468,727	2,644,355
Net position (deficit), beginning of year	3,527,990	(59,954)	(1,215,185)	(468,727)	1,784,124
Change in application of accounting principles	(604,000)	(177,428)	(1,084,722)	-	(1,866,150)
Net position (deficit), end of year	<u>\$ 4,714,717</u>	<u>\$ (261,453)</u>	<u>\$ (1,890,935)</u>	<u>\$ -</u>	<u>\$ 2,562,329</u>

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

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

	Water	Disposal	Ambulance	Non-Major Building Fees	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,473,462	\$ 1,750,905	\$ 880,066	\$ 252,491	\$ 5,356,924
Payments to suppliers for goods and services	(722,700)	(1,659,334)	(294,610)	(32,309)	(2,708,953)
Payments to or on behalf of employees for services	(484,951)	(157,819)	(1,165,593)	(89,051)	(1,897,414)
Cash payments to other funds for allocated costs	<u>(1,910,304)</u>	<u>94,157</u>	<u>1,816,147</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(644,493)</u>	<u>27,909</u>	<u>1,236,010</u>	<u>131,131</u>	<u>750,557</u>
Cash flows from non-capital financing activities:					
Transfers (to)/from other funds	-	-	796,665	329,692	1,126,357
Interfund loan repayment	<u>(50,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>(115,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(50,000)</u>	<u>-</u>	<u>731,665</u>	<u>329,692</u>	<u>1,011,357</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(857,623)	-	(17,394)	-	(875,017)
Principal paid on long-term debt	(191,016)	-	-	-	(191,016)
Interest and fiscal charges	<u>(158,056)</u>	<u>-</u>	<u>(131,665)</u>	<u>-</u>	<u>(289,721)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,206,695)</u>	<u>-</u>	<u>(149,059)</u>	<u>-</u>	<u>(1,355,754)</u>
Cash flows from investing activities:					
Interest on investments	<u>1,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,318</u>
Net cash provided (used) by investing activities	<u>1,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,318</u>
Increase (decrease) in cash and cash equivalents	(1,899,870)	27,909	1,818,616	460,823	407,478
Cash and cash equivalents, beginning of year	<u>2,369,700</u>	<u>(27,909)</u>	<u>(1,818,616)</u>	<u>(460,823)</u>	<u>62,352</u>
Cash and cash equivalents, end of year	<u>\$ 469,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,830</u>

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

CITY OF KINGSBURG
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)

	Water	Disposal	Ambulance	Non-Major Building Fees	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,943,443	\$ (24,071)	\$ (256,028)	\$ 139,035	\$ 1,802,379
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	264,516	2,063	95,252	4,525	366,356
Pension expense	45,979	13,506	245,248	-	304,732
Changes in assets, deferred outflows of resources and liabilities:					
(Increase) decrease in accounts receivables, net	(1,032,253)	(35,839)	(438,115)	-	(1,506,207)
(Increase) decrease in due from other funds	(1,910,304)	-	-	-	(1,910,304)
Increase (decrease) in accounts payable and accrued liabilities	83,699	(8,028)	27,856	(10,332)	93,195
(Increase) decrease in due to other funds	-	94,157	1,816,147	-	1,910,304
(Increase) decrease in compensated absences	4,516	(928)	437	(2,097)	1,928
(Increase) decrease in deferred outflows of resources for pensions	<u>(44,089)</u>	<u>(12,951)</u>	<u>(254,787)</u>	<u>-</u>	<u>(311,826)</u>
Net cash provided (used) by operating activities	<u>\$ (644,493)</u>	<u>\$ 27,909</u>	<u>\$ 1,236,010</u>	<u>\$ 131,131</u>	<u>\$ 750,557</u>

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

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

	Trust Funds
ASSETS	
Cash and investments	\$ 16,064
Other assets	17,266
Total assets	\$ 33,330
LIABILITIES	
Accrued interest payable	\$ 7,782
Deposits	11,750
Loans payable	476,155
Total liabilities	495,687
NET POSITION	
Held in trust	\$ (462,357)

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

**CITY OF KINGSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
FOR THE YEAR ENDED JUNE 30, 2015**

	Trust Funds
ADDITIONS:	
Taxes	\$ 174,435
Total additions	174,435
DEDUCTIONS:	
Planning and community development	15,689
Interest and fiscal charges	28,580
Total deductions	44,269
Change in net position	130,166
Net position - beginning	(592,523)
Net position - ending	\$ (462,357)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The City was incorporated as a general law city in 1908. The City operates under a Council-Manager form of government. The City's major operations include public safety, public works, water and disposal, parks and recreation, building inspection, public improvements, planning and community development, and general administrative services.

Also included in this report is the Kingsburg Public Financing Authority (KPFA). The KPFA was established June 30, 1990 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City and Agency. The City set up the KPFA to act as a financing/lending type institution only. The KPFA/City legislative meetings are held concurrently. No separate annual financial statements are prepared for the KPFA.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component units. 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 generally are 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.

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 function 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 functions. 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

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, 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, advances from/to other funds, and transfers in/transfers out.

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

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

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

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

Local Transportation Fund – The Local Transportation Fund accounts for revenues received and expenditures made for use on certain transportation and transit projects within Fresno County. Financing is generated from a one-quarter percent sales and use tax made pursuant to the California Transportation Development Act (TDA). Expenditures of these moneys must be made in accordance with TDA provisions.

Kingsburg Public Financing Authority – The Kingsburg Public Financing Authority Fund is used to account for revenues and expenditures of the KPFA Revenue Bonds. Bond proceeds are to be used to finance or refinance the costs of various improvement projects for the City and other public agencies.

Assessment Districts – This Fund is used to accumulate assessments levied for payment of bonds issued for the Improvement Bonds in Districts No. 1991-1 and No. 1992-1.

Street Projects Fund – This Fund is used to account for related street construction and maintenance.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (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 and non-major fund.

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

The City reports the following major enterprise funds:

- ♦ The **Water Fund** is used to account for financial activity of the water utility system.
- ♦ The **Disposal Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.
- ♦ The **Ambulance Fund** is used to account for the financial activity of the ambulance activities.
- ♦ The **Building Fees Fund** is used to account for the financial activity of building fees activities.

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 the accrual basis of accounting.

The City reports the following fiduciary fund:

- ♦ The **Successor Agency of the Redevelopment Agency** accounts for assets and 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, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary 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 flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using current financial resources measurement focus and the 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 when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

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 applicable 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 *nonoperating expenses*.

Assets, Liabilities and Equity

Cash and Cash Equivalents – Cash and cash equivalents represent the City’s cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the statement of cash flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the statement of cash flows.

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

Investments of the pool include only those investments authorized by the California Government Code such as United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

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

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

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Advances To/From Other Funds – This classification represents noncurrent portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and, therefore, is not available for appropriation.

Capital Assets – Capital outlays are recorded as expenditures of the general, special revenue, and capital projects funds, and capitalized assets in the government-wide financial statements to the extent the City’s capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Plant system	20-40 years
Machinery and equipment	5-10 years
Infrastructure.....	40 years

Compensated Absences – Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements as long-term debt. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated at 15 days per year for full-time regular employees. Vacation is accumulated at 12 days per year for full-time regular employees with less than five years of service to a maximum of 25 days per year for full-time regular employees with over 20 years of service with no limit on accrual of unused hours. Upon employment termination, unused sick leave is paid out at 50% for less than 20 years of service and 75% for more than 20 years of service. These amounts are included as liabilities in the government-wide and enterprise fund financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Interest Payable – In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund-types and proprietary fund-types. In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

Deferred Revenue – Deferred 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 deferred revenue related to uncollected outstanding, performing loans and intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Long-term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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.

Encumbrances – The City does not use encumbrance accounting.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Budgetary and Budgetary Accounting – Budgets are adopted annually for the general fund, special revenue funds, capital funds, debt service funds, and enterprise funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. All revisions must be reported to the City Council.

Use of Estimates – The preparation of the 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 and disclosures. Accordingly, actual results could differ from those estimates.

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 laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Balances - 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.
- **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.
- **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 Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

- Unassigned: This classification is the residual classification for the general fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. In other governmental funds it includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

The City would typically use restricted fund balances 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.

Pronouncements

a. New Accounting Pronouncements Adopted

Government Accounting Standards Board Statement No. 68

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

Government 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.

Government Accounting Standards Board Statement No. 71

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

**CITY OF KINGSBURG
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 for this provision 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, 2018.

Governmental Accounting Standards Board Statement No. 74

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

**CITY OF KINGSBURG
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. 75

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

Governmental Accounting Standards Board Statement No. 76

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 3 – CASH AND INVESTMENTS

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

Deposits and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Government-wide:	
Unrestricted	\$ 5,504,238
Restricted	150,580
Fiduciary funds	<u>16,064</u>
 Total deposits and investments	 <u>\$ 5,670,882</u>

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

Cash on hand and in banks	\$ 2,690,547
Investments	<u>2,980,335</u>
 Total cash and investments	 <u>\$ 5,670,882</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JSA Pools (other investment pools)	N/A	None	None

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

NOTE 3 – 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. The City manages its exposure to interest rate risk is by investing 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 to market interest rate fluctuations is provided by the following schedule 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	25 to 60 Months	More than 60 Months
Local Agency Investment Fund Held by Bond Trustee:	\$ 2,829,755	\$ 2,829,755	\$ -	\$ -	\$ -
Money Market Account	<u>150,580</u>	<u>150,580</u>	-	-	-
Total	<u>\$ 2,980,335</u>	<u>\$ 2,980,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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		
			A-1+	AAAm	Not Rated
Local Agency Investment Fund Held by Bond Trustee:	\$ 2,829,755	\$ -	\$ -	\$ -	\$ 2,829,755
Money Market Account	<u>150,580</u>	-	-	-	<u>150,580</u>
Total	<u>\$ 2,980,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,980,335</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
U.S. Bank	Money Market Account	<u>\$ 150,580</u>

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk-Deposits

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions 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 state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the City's bank balance of \$2,315,612 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the City.

Custodial Credit Risk-Investments

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

Investment in State Investment Pool

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

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2015 consisted of the following for the governmental funds:

	General	Local Transportation Fund	Assessment Districts	Street Projects	Other Governmental Funds	Total Governmental Funds
Receivables:						
Taxes	\$ 269,805	\$ -	\$ -	\$ -	\$ 24,535	\$ 294,340
Intergovernmental	37,482	371	-	890,422	10,622	938,897
Other	-	-	1,163	-	-	1,163
	<u>307,287</u>	<u>371</u>	<u>1,163</u>	<u>890,422</u>	<u>35,157</u>	<u>1,234,400</u>
Receivables, net	<u>\$ 307,287</u>	<u>\$ 371</u>	<u>\$ 1,163</u>	<u>\$ 890,422</u>	<u>\$ 35,157</u>	<u>\$ 1,234,400</u>

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

NOTE 4 – RECEIVABLES (Continued)

Receivables as of June 30, 2015 consisted of the following for the proprietary funds:

	Water	Disposal	Ambulance	Total Proprietary Funds
Receivables:				
Accounts	\$ 1,214,322	\$ 239,699	\$ 817,077	\$ 2,271,098
Allowance for doubtful accounts	(48,075)	(56,735)	(160,000)	(264,810)
Receivables, net	<u>\$ 1,166,247</u>	<u>\$ 182,964</u>	<u>\$ 657,077</u>	<u>\$ 2,006,288</u>

NOTE 5 – INTERFUND ACTIVITIES

Current Interfund Balances

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

	Due From	Due To
Governmental Funds		
Major Funds:		
General fund	\$ 1,638,719	\$ -
Kingsburg Public Finance Authority Debt Service Fund	-	624,973
Street Projects Capital Projects Fund	-	1,012,359
Non-Major Fund:		
Senior Center Special Revenue Fund	-	1,387
Total governmental funds	<u>1,638,719</u>	<u>1,638,719</u>
Enterprise Funds		
Major Fund:		
Water Fund	1,910,304	-
Disposal Fund	-	94,157
Ambulance Fund	-	1,816,147
Total enterprise funds	<u>1,910,304</u>	<u>1,910,304</u>
Total due from/due to	<u>\$ 3,549,023</u>	<u>\$ 3,549,023</u>

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

NOTE 5 – INTERFUND ACTIVITIES (Continued)

Advances From/To Other Funds

Advances receivable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2015, the funds below have made advances that were not expected to be repaid in one year or less.

Advances From/To Other Funds

	Advances From	Advances To
Kingsburg Public Finance Authority Debt Service Fund	\$ 3,984,000	\$ -
Assessment Districts Debt Service Fund	-	774,000
Ambulance Enterprise Fund	-	2,700,000
Water Enterprise Fund	-	510,000
Total advances from/to other funds	\$ 3,984,000	\$ 3,984,000

Operating Transfers

With the City 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. Transfers within fund types have been eliminated with the government-wide financial statements.

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Operating transfers

The General Fund transferred to the Ambulance Fund to cover operating expenses	\$ 585,000
The General Fund transferred to the Senior Center Fund to cover operating expenses	37,000
The General Fund transferred to the Pool Fund to cover operating expenses	77,000
The Capital Facilities Fund transferred to the Ambulance Fund for bond payments	211,665
The COPs Grant Fund transferred to the General Fund to cover operating expenses	106,230
The Kingsburg PFA Fund transferred to the Special Assessments Projects Fund to cover close out accounts related to refinanced debt	9,938
The General Fund transferred to the Building Fee Fund to close the fund	329,692
Total interfund transfers	\$ 1,356,525

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

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ending June 30, 2015 is as follows:

	Balances July 1, 2014	Additions	Deletions	Transfers	Balances June 30, 2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 669,243	\$ -	\$ (82,229)	\$ -	\$ 587,014
Construction in progress	<u>729,361</u>	<u>753,204</u>	<u>-</u>	<u>(273,018)</u>	<u>1,209,547</u>
Total capital assets, not being depreciated	<u>1,398,604</u>	<u>753,204</u>	<u>(82,229)</u>	<u>(273,018)</u>	<u>1,796,561</u>
Capital assets, being depreciated:					
Buildings and improvements	4,419,870	37,725	-	-	4,457,595
Infrastructure	11,544,672	752,930	-	273,018	12,570,620
Machinery and equipment	<u>2,879,722</u>	<u>56,484</u>	<u>(59,878)</u>	<u>36,523</u>	<u>2,912,851</u>
Total capital assets, being depreciated	<u>18,844,264</u>	<u>847,139</u>	<u>(59,878)</u>	<u>309,541</u>	<u>19,941,066</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,276,492)	(110,932)	-	-	(2,387,424)
Infrastructure	(1,549,370)	(314,248)	-	-	(1,863,618)
Machinery and equipment	<u>(2,290,936)</u>	<u>(89,235)</u>	<u>59,878</u>	<u>(36,523)</u>	<u>(2,356,816)</u>
Total accumulated depreciation	<u>(6,116,798)</u>	<u>(514,415)</u>	<u>59,878</u>	<u>(36,523)</u>	<u>(6,607,858)</u>
Total capital assets being depreciated, net	<u>12,727,466</u>	<u>332,724</u>	<u>-</u>	<u>273,018</u>	<u>13,333,208</u>
Governmental activities capital assets, net	<u>\$ 14,126,070</u>	<u>\$ 1,085,928</u>	<u>\$ (82,229)</u>	<u>\$ -</u>	<u>\$ 15,129,769</u>

Depreciation expense is charged to governmental functions as follows:

Governmental activities:	
General government	\$ 8,717
Parks and community services	55,358
Public safety	86,457
Public works	<u>363,883</u>
 Total	 <u>\$ 514,415</u>

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

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ending June 30, 2015 is as follows:

	Balances July 1, 2014	Additions	Deletions	Transfers	Balances June 30, 2015
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 83,216	\$ -	\$ -	\$ -	\$ 83,216
Construction in progress	<u>996,852</u>	<u>617,508</u>	<u>-</u>	<u>-</u>	<u>1,614,360</u>
Total capital assets, not being depreciated	<u>1,080,068</u>	<u>617,508</u>	<u>-</u>	<u>-</u>	<u>1,697,576</u>
Capital assets, being depreciated:					
Buildings, improvements and plants	10,577,004	240,114	-	-	10,817,118
Machinery and equipment	<u>1,779,945</u>	<u>17,394</u>	<u>-</u>	<u>(36,523)</u>	<u>1,760,816</u>
Total capital assets, being depreciated	<u>12,356,949</u>	<u>257,508</u>	<u>-</u>	<u>(36,523)</u>	<u>12,577,934</u>
Less accumulated depreciation for:					
Buildings, improvements and plants	(2,878,263)	(292,317)	-	-	(3,170,580)
Machinery and equipment	<u>(1,614,416)</u>	<u>(74,039)</u>	<u>-</u>	<u>36,523</u>	<u>(1,651,932)</u>
Total accumulated depreciation	<u>(4,492,679)</u>	<u>(366,356)</u>	<u>-</u>	<u>36,523</u>	<u>(4,822,512)</u>
Total capital assets being depreciated, net	<u>7,864,270</u>	<u>(108,848)</u>	<u>-</u>	<u>-</u>	<u>7,755,422</u>
Business-type activities capital assets, net	<u>\$ 8,944,338</u>	<u>\$ 508,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,452,998</u>

Depreciation expense is charged to business-type functions as follows:

Business-type activities:	
Water	\$ 264,516
Disposal	2,063
Ambulance	95,252
Building Fee	<u>4,525</u>
 Total	 <u>\$ 366,356</u>

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

NOTE 7 – OPERATING LEASE

The City has a non-cancelable lease for the City’s Council Chambers. The lease expires on August 31, 2017. For the fiscal year-end June 30, 2015 rent expense was \$28,599. The lease payments range from \$2,100 to \$2,293 per month.

Future minimum lease payments for the leases are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2016	\$ 27,513
2017	28,201
2018	<u>4,723</u>
	<u>\$ 60,437</u>

NOTE 8 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

In government fund-types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred in proprietary funds are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. The City’s debt activities are summarized below and discussed in detail thereafter:

	<u>Balances</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities Long-Term Debt:					
PFA revenue bond, Series 1991	\$ 1,085,000	\$ -	\$ (1,085,000)	\$ -	\$ -
PFA revenue bond, Series 1992	1,340,000	-	(1,340,000)	-	-
PFA fire department lease revenue bonds	2,765,000	-	(2,765,000)	-	-
PFA Refunding Revenue Bonds, Series 2015	-	1,439,100	-	1,439,100	176,200
PFA 2015 Lease Revenue Refunding Bonds	-	2,700,000	-	2,700,000	130,000
Unamortized bond discounts	(22,455)	(20,196)	22,581	(20,070)	-
Compensated absences	<u>359,441</u>	<u>-</u>	<u>(118,557)</u>	<u>240,884</u>	<u>175,647</u>
Total governmental activities debt	<u>\$ 5,526,986</u>	<u>\$ 4,118,904</u>	<u>\$ (5,285,976)</u>	<u>\$ 4,359,914</u>	<u>\$ 481,847</u>
Business-Type Activities Long-Term Debt:					
CIEDB water loan	\$ 2,429,858	\$ -	\$ (84,916)	\$ 2,344,942	\$ 87,446
Water meter capital lease	1,093,774	-	(106,100)	987,674	109,663
Compensated absences	<u>305,122</u>	<u>1,928</u>	<u>-</u>	<u>307,050</u>	<u>104,714</u>
Total business-type activities debt	<u>\$ 3,828,754</u>	<u>\$ 1,928</u>	<u>\$ (191,016)</u>	<u>\$ 3,639,666</u>	<u>\$ 301,823</u>
Total long-term debt	<u>\$ 9,355,740</u>	<u>\$ 4,120,832</u>	<u>\$ (5,476,992)</u>	<u>\$ 7,999,580</u>	<u>\$ 783,670</u>

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

NOTE 8 – LONG-TERM DEBT (Continued)

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

Governmental Activities

Kingsburg Public Financing Authority Revenue Bonds, Series 1991 – On October 15, 1991, the City issued \$4,000,000 in revenue bonds with interest rates ranging from 7.60% to 8.00% payable semi-annually. The proceeds were used to finance, refinance, or reimburse the cost of acquiring and construction/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the district and are payable from other funds of the City. The principal payments range from \$45,000 to \$200,000 and are due annually through 2023. On April 28, 2015, the City issued Kingsburg Public Financing Authority Refunding Revenue Bonds, Series 2015 to refund the outstanding amount of \$945,000.

Kingsburg Public Financing Authority Revenue Bonds, Series 1992 – On July 30, 1992, the City issued \$6,000,000 in revenue bonds with interest rates ranging from 7.70% to 7.90% payable semi-annually. The proceeds were used to finance, refinance, or reimburse the cost of acquiring and construction/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the district and are payable from other funds of the City. The principal payments range from \$95,000 to \$300,000 and are due annually through 2023. On April 28, 2015, the City issued Kingsburg Public Financing Authority Refunding Revenue Bonds, Series 2015 to refund the outstanding amount of \$1,215,000.

Kingsburg Public Financing Authority Refunding Revenue Bonds, Series 2015 – On April 28, 2015, the City issued \$1,439,100 in revenue bonds with interest rate of 2.85% payable semi-annually. The bonds were to refund \$945,000 of outstanding Kingsburg Public Financing Authority Revenue Bonds, Series 1991 and \$1,215,000 of outstanding Kingsburg Public Financing Authority Revenue Bonds, Series 1992. These bonds are payable from assessments on the property owners within the district and are payable from other funds of the City. The principal payments range from \$176,200 to \$250,500 and are due annually through fiscal year 2023. At June 30, 2015 bonds outstanding amount to \$1,439,100.

Annual debt service requirements to maturity for Kingsburg Public Financing Authority Refunding Revenue Bonds, Series 2015 at June, 2015 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 176,200	\$ 33,605	\$ 209,805
2017	167,600	33,604	201,204
2018	183,700	28,598	212,298
2019	178,300	23,440	201,740
2020	162,400	18,585	180,985
2021-2023	570,900	26,948	597,848
	<u>\$ 1,439,100</u>	<u>\$ 164,780</u>	<u>\$ 1,603,880</u>

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

NOTE 8 – LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Kingsburg Public Financing Authority 2004 Lease Revenue Bonds, Fire Department Facilities – On August 1, 2004, the City issued \$3,395,000 in revenue bonds to construct a new satellite fire/ambulance station and to remodel the current station. The interest rates range from 2.0% to 5.00% payable semi-annually. These bonds are payable from fees for ambulance services. The principal payments in amounts from \$65,000 to \$205,000 are due annually through 2035. On May 14, 2015, the City issued Kingsburg Public Financing Authority 2015 Lease Revenue Refunding Bonds, Fire Department Facilities Refunding Project to refund the outstanding amount of \$2,685,000.

Kingsburg Public Financing Authority 2015 Lease Revenue Refunding Bonds, Fire Department Facilities Refunding Project – On May 14, 2015, the City issued \$2,700,000 in lease revenue bonds with interest rates range from 2.0% to 3.5% payable semi-annually. The bonds were to refund \$2,685,000 of outstanding Kingsburg Public Financing Authority 2004 Lease Revenue Bonds, Fire Department Facilities. These bonds are payable from fees for ambulance services. The principal payments in amounts from \$130,000 to \$180,000 are due annually through fiscal year 2034. At June 30, 2015 bonds outstanding amount to \$2,700,000.

Annual debt service requirements to maturity for Kingsburg Public Financing Authority 2015 Lease Revenue Refunding Bonds, Fire Department Facilities Refunding Project are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 130,000	\$ 53,482	\$ 183,482
2017	110,000	73,038	183,038
2018	115,000	70,788	185,788
2019	120,000	68,438	188,438
2020	125,000	65,988	190,988
2021-2025	660,000	281,213	941,213
2026-2030	750,000	180,481	930,481
2031-2034	690,000	49,173	739,173
	<u>2,700,000</u>	<u>842,601</u>	<u>3,542,601</u>
Unamortized Bonds Discount	(20,070)	-	(20,070)
	<u>\$ 2,679,930</u>	<u>\$ 842,601</u>	<u>\$ 3,522,531</u>

Business-Type Activities

CIEDB Water Loan – On August 31, 2004, the City, as purchaser, entered into an installment sale agreement with the California Infrastructure and Economic Development Bank (CIEDB), as seller, of a water system upgrade. As part of the agreement, CIEDB agreed to design, acquire and construct the project for, and sell the project to, the purchaser. In order to implement these provisions, the CIEDB appointed the City as its agent for the purpose of such design, acquisition and construction. The agreement after the 2011 amendment, in the amount not to exceed \$3,147,396, bears interest at 2.98% with semi-annual payments on August 1 and February 1. Under the terms of the agreement, CIEDB issued tax-exempt bonds to be used for the funding of the project. At June 30, 2015, the loan outstanding amounts to \$2,344,942.

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

NOTE 8 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Annual debt service requirements for the CIEDB Water Loan are as follows:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 87,446	\$ 68,576	\$ 156,022
2017	90,052	65,932	155,984
2018	92,735	63,208	155,943
2019	95,499	60,403	155,902
2020	98,345	57,515	155,860
2021-2025	537,473	241,147	778,620
2026-2030	622,473	155,180	777,653
2031-2035	720,919	54,970	775,889
	<u>\$ 2,344,942</u>	<u>\$ 766,931</u>	<u>\$ 3,111,873</u>

Water Meter Capital Lease – On September 27, 2012, the City, as Lessee entered into a capital equipment lease/purchase agreement with the Government Capital Corporation, as Lessor, for purchase and install of 1,800 water meters. The agreement bears interest at 3.36% with annual payments of \$142,839 on September 1st. At June 30, 2015 the capital lease outstanding amounts to \$987,674.

Annual debt service requirements for the Water Meter Capital Lease are as follows:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 109,663	\$ 33,175	\$ 142,838
2017	113,347	29,492	142,839
2018	117,154	25,685	142,839
2019	121,089	21,749	142,838
2020	125,157	17,682	142,839
2021-2023	401,264	27,253	428,517
	<u>\$ 987,674</u>	<u>\$ 155,036</u>	<u>\$ 1,142,710</u>

Leased equipment under capital leases in capital assets at June 30, 2015, included the following:

Construction in Progress \$ 1,612,081

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 a loss on refunding of debt reported in the government-wide statement of net position. A loss on refunding of debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for loss on refunding of debt reported in the governmental activities of the government-wide statement of net position are \$104,205.

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

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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 unavailable revenue, reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds are unavailable revenues of \$41,982 in the Street Projects Fund.

In addition to the deferred outflows and inflows of resources described above, the City has pension related items that qualify to be reported in these categories. The pension related deferred outflows and inflows of resources are described in detail in Note 11.

NOTE 10 – DEFICIT FUND BALANCES

The following is a summary of deficit fund balances and net position as of June 30, 2015:

Governmental Funds

Major Funds:

Assessment Districts Special Revenue Fund	\$ (616,759)
Street Project Capital Projects Fund	(188,178)

Non-Major Funds:

Senior Center	(4,158)
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Enterprise Funds

Major Funds:

Disposal Enterprise Fund	(261,453)
Ambulance Enterprise Fund	(1,890,935)

Fiduciary Fund

Successor Agency of the RDA	<u>(462,357)</u>
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\$ (3,423,840)

The deficit fund balance in the Assessment Districts Fund is due to reclassification of outstanding debt into the fund as an advance.

The deficit fund balance in the Street Projects Fund is due to capital expenditures.

The deficit fund balance in the Disposal Fund and Ambulance Fund is due to operating expenditures exceeding operating revenues.

The deficit fund balance in the Successor Agency of the RDA Fund, Storm Drain Fund, Senior Center and Special Assessment Projects Fund is due to operating expenditures exceeding operating revenues.

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 of Kingsburg's (City) Safety (police and fire) 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 Safety Plan 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.

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

NOTE 11 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

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 the Miscellaneous Plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	14.647%	6.250%
	Safety - Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	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	2.400% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	34.913%	11.500%
	Safety - Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	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	2.400% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	37.971%	11.500%

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

NOTE 11 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) 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	\$ 150,990	\$ 390,616
Contributions - employee (paid by employer)	-	-

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	\$ 1,738,019
Safety	3,853,728
 Total Net Pension Liability	 \$ 5,591,747

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	0.07%	0.09%
Proportion - June 30, 2014	0.07%	0.10%
Change - increase (decrease)	0.00%	0.02%

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

NOTE 11 – PENSION PLAN (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$584,059. 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	\$ 577,560	\$ -
Net differences between actual and allocated employer contributions	159,897	\$ (23,327)
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	-	(118,355)
Net differences between project and actual earnings on plan investments	-	(886,508)
Total	\$ 737,457	\$ (1,028,190)

\$577,560 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	\$	(215,121)
2017		(215,121)
2018		(216,424)
2019		(221,627)
2020		-
Thereafter		-

**CITY OF KINGSBURG
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	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
	Derived using CalPERS'	Derived using CalPERS'
	Membership data for all Funds (3)	Membership data for all Funds (3)
Mortality		

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

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

(3) 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.

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 the Safety 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 KINGSBURG
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 scheduled 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 have 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Equity	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 KINGSBURG
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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$2,864,639	\$5,191,335
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$1,738,019	\$3,853,728
1% Increase	8.50%	8.50%
Net Pension Liability	\$803,031	\$2,751,600

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 reported a payable of \$58,942 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 12 – POST-RETIREMENT HEALTHCARE BENEFITS

The City provides no post-employment benefits for its employees. However, former employees may be maintained on the City’s health insurance programs through the City’s Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance continuation plan.

NOTE 13 – RISK MANAGEMENT

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

The CSJVRMA is a consortium of 54 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. Seq. The CSJVRMA is governed by a Board of Directors, which meets three times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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

NOTE 13 – RISK MANAGEMENT (Continued)

Each member city pays a premium to cover estimated losses for a fiscal year (claims year). Each program year is retrospectively adjusted five years following the end of a program year and annually thereafter until the last claim incurred during a program year is closed and the actuary has determined there is no longer a need for any incurred but not reported reserves. Any net surplus in the city's balance for these years will be refunded to the city, and net deficits will be billed to the city.

Each member city self-insures a portion of each of its claims, which for Kingsburg is the first \$25,000 of each claim (occurrence) in both the liability program and workers' compensation program. If a claim exceeds a member's retained limit, the amount exceeding the retained limit is distributed to the pool layers above the city's retained limit, and that cost is shared amongst the members within the various pool layers.

For the Liability Program, the CSJVRMA's risk sharing pool covers the first \$1,000,000 of each claim. The CSJVRMA purchases excess liability coverage through the California Affiliated Risk Management Authorities (CARMA) for the amount in excess of \$1,000,000. CARMA's risk sharing pool covers the first \$4,000,000 of each claim, and CARMA purchases a combination of reinsurance and excess insurance through AmTrust Financial Group and Colony for a total of \$29,000,000 in coverage.

For the Workers' Compensation Program, the CSJVRMA's risk sharing pool covers the first \$500,000 of each claim. The CSJVRMA purchases excess workers' compensation coverage through the Local Agency Workers' Compensation Excess JPA (LAWCX) for the amount in excess of \$500,000. LAWCX's risk sharing pool covers the first \$5 million of each claim, and LAWCX purchases a combination of reinsurance and excess insurance through CSAC EIA with statutory limits.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs in addition to the Claremont Custody Center State contract program which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

NOTE 14 – SUCCESSOR AGENCY TRUST FUND

On January 18, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the "Bill") which dissolved all redevelopment agencies in the State of California.

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.

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

NOTE 14 – SUCCESSOR AGENCY TRUST FUND (Continued)

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 the 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.

Other Assets

The amount reported as "Other Assets" in the Successor Agency Trust Fund consists of the following:

Downtown directional signs	\$ 17,266
	<u>\$ 17,266</u>

Long-term Debt

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
CIEDB Police Building Loan	\$ 319,776	\$ -	\$ 103,621	\$ 216,155	\$ 106,564
Kingsburg RDA Tax Refunding Bonds	280,000	-	280,000	-	-
2015 Refunding Revenue Bonds	-	260,000	-	260,000	25,000
	<u>\$ 599,776</u>	<u>\$ 260,000</u>	<u>\$ 383,621</u>	<u>\$ 476,155</u>	<u>\$ 131,564</u>

CIEDB Police Building Loan – During the fiscal year 2001/02, the Redevelopment Agency of the City of Kingsburg obtained a loan from the California Infrastructure and Economic Development Bank (CIEDB) to construct a new city police building that may not exceed \$1,287,100. The terms of the note call for annual interest payments at 2.58% through 2017. At June 30, 2015 the loan outstanding amounts to \$216,155.

Annual debt service requirements for the CIEDB Police Building Loan are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 106,564	\$ 4,626	\$ 111,190
2017	109,591	1,556	111,147
	<u>\$ 216,155</u>	<u>\$ 6,182</u>	<u>\$ 222,337</u>

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

NOTE 14 – SUCCESSOR AGENCY TRUST FUND (Continued)

Kingsburg RDA Tax Refunding Bonds – The former Kingsburg Redevelopment Agency issued a tax allocation bond payable in annual installments ranging from \$25,000 to \$40,000 with interest payable semi-annually at an average overall rate of 7.9% per annum. At June 30, 2015 the bond outstanding amounts to \$260,000.

Annual debt service requirements to maturity for the Kingsburg RDA Tax Refunding Bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 25,000	\$ 19,553	\$ 44,553
2017	25,000	17,578	42,578
2018	30,000	15,405	45,405
2019	30,000	13,035	43,035
2020	35,000	10,467	45,467
2021-2023	<u>115,000</u>	<u>14,022</u>	<u>129,022</u>
	<u>\$ 260,000</u>	<u>\$ 90,060</u>	<u>\$ 350,060</u>

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations are as follows:

General Fund:

Park and community services	\$ 64,987
Planning and community development	\$ 15,707
Capital outlay	\$ 33,879

NOTE 16 – CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLE

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

Government-wide Financial Statements

Governmental Activities	\$ (4,009,833)
Business-Type Activities	<u>(1,866,150)</u>
Total Government-wide Financial Statements	<u>\$ (5,875,983)</u>

Enterprise Fund Financial Statements

Water Fund	\$ (604,000)
Disposal Fund	(177,428)
Ambulance Fund	<u>(1,084,722)</u>
Total Enterprise funds	<u>\$ (1,866,150)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,526,425	\$ 2,526,425	\$ 2,661,537	\$ 135,112
Licenses and permits	977,400	977,400	1,050,552	73,152
Intergovernmental	45,000	45,000	67,085	22,085
Charges for services	251,086	251,086	358,346	107,260
Fines and penalties	25,000	25,000	14,854	(10,146)
Interest	500	500	3,299	2,799
Other revenue	<u>131,000</u>	<u>131,000</u>	<u>163,996</u>	<u>32,996</u>
Total revenues	<u>3,956,411</u>	<u>3,956,411</u>	<u>4,319,669</u>	<u>363,258</u>
EXPENDITURES				
Current:				
General government	904,237	900,247	626,251	273,996
Parks and community services	255,237	253,737	318,724	(64,987)
Public safety	2,159,018	2,159,018	1,805,649	353,369
Public works	478,771	481,171	460,645	20,526
Planning and community development	167,618	170,508	186,215	(15,707)
Capital outlay	<u>93,500</u>	<u>93,500</u>	<u>127,379</u>	<u>(33,879)</u>
Total expenditures	<u>4,058,381</u>	<u>4,058,181</u>	<u>3,524,863</u>	<u>533,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,970)</u>	<u>(101,770)</u>	<u>794,806</u>	<u>896,576</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,869,044	934,044	183,230	(750,814)
Transfers out	(459,000)	(699,000)	(1,028,692)	(329,692)
Sale of general capital assets	<u>2,800</u>	<u>937,800</u>	<u>1,195,229</u>	<u>257,429</u>
Total other financing sources (uses)	<u>1,412,844</u>	<u>1,172,844</u>	<u>349,767</u>	<u>(823,077)</u>
Change in fund balance	1,310,874	1,071,074	1,144,573	73,499
Fund balance - beginning	<u>1,461,498</u>	<u>1,461,498</u>	<u>1,461,498</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,772,372</u>	<u>\$ 2,532,572</u>	<u>\$ 2,606,071</u>	<u>\$ 73,499</u>

**CITY OF KINGSBURG
BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 312,608	\$ 312,608	\$ 374,983	\$ 62,375
Interest	<u>875</u>	<u>875</u>	<u>736</u>	<u>(139)</u>
Total revenues	<u>313,483</u>	<u>313,483</u>	<u>375,719</u>	<u>62,236</u>
EXPENDITURES				
Current:				
Highway and streets	48,200	48,200	29,805	18,395
Capital outlay	<u>122,000</u>	<u>138,689</u>	<u>37,312</u>	<u>101,377</u>
Total expenditures	<u>170,200</u>	<u>186,889</u>	<u>67,117</u>	<u>119,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>143,283</u>	<u>126,594</u>	<u>308,602</u>	<u>182,008</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(15,500)</u>	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>
Total other financing sources (uses)	<u>(15,500)</u>	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>
Change in fund balance	127,783	111,094	308,602	197,508
Fund balance - beginning	<u>1,089,321</u>	<u>1,089,321</u>	<u>1,089,321</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,217,104</u>	<u>\$ 1,200,415</u>	<u>\$ 1,397,923</u>	<u>\$ 197,508</u>

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

NOTE 1 – BUDGETARY INFORMATION

The City follows the following 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 July 1, the budget is legally adopted through passage of an ordinance. 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 reserves; 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. Items delegated to the 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, and 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 funds 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 within the same fund, or an entire fund.

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

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Proportion of the net pension liability	0.02793%	0.06193%
Proportionate share of the net pension liability	\$ 1,738,019	\$ 3,853,728
Covered - employee payroll	\$ 1,292,453	\$ 1,346,884
Proportionate Share of the net pension liability as percentage of covered-employee payroll	134.47%	286.12%
Plan's fiduciary net position	\$ 6,754,346	\$ 6,132,309
Plan fiduciary net position as a percentage of the total pension liability	79.53%	118.28%

NOTES TO SCHEDULE:

Change in Benefit Terms: None

Change in Assumptions: None

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

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

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Actuarially determined contribution	\$ 145,353	\$ 378,443
Contributions in relation to the actuarially determined contributions	(145,353)	(378,443)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 1,292,453	 \$ 1,346,884
Contributions as a percentage of covered-employee payroll	11.25%	28.10%

NOTES TO SCHEDULE:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date:	<u>6/30/2013</u>	<u>6/30/2013</u>
Methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	15 years	15 years
Asset Valuation Method	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%
Salary Increases	3.30% to 14.20% Depending on age and service	
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.	
Retirement Age	62 years	57 years
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.

SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash and investments			
Unrestricted	\$ 1,036,503	\$ 1,794,127	\$ 2,830,630
Accounts and interest receivable, net	34,738	419	35,157
Land held for low and moderate housing projects	574,389	-	574,389
 Total assets	 \$ 1,645,630	 \$ 1,794,546	 \$ 3,440,176
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 13,991	\$ 3,000	\$ 16,991
Due to other funds	1,387	-	1,387
 Total liabilities	 15,378	 3,000	 18,378
 Fund balances:			
Restricted:			
Capital improvements projects	-	1,791,546	1,791,546
Circulation improvements	1,035,151	-	1,035,151
Public safety programs	24,870	-	24,870
Low-income housing activities	574,389	-	574,389
Unassigned	(4,158)	-	(4,158)
 Total fund balances	 1,630,252	 1,791,546	 3,421,798
 Total liabilities and fund balances	 \$ 1,645,630	 \$ 1,794,546	 \$ 3,440,176

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

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES			
Intergovernmental	\$ 749,135	\$ -	\$ 749,135
Development fees	-	206,034	206,034
Interest	627	1,189	1,816
Other	6,899	-	6,899
Total revenues	756,661	207,223	963,884
EXPENDITURES			
Current:			
General government	-	3,895	3,895
Parks and community services	55,881	-	55,881
Public works	1,000	-	1,000
Highway and streets	342,872	-	342,872
Planning and community development	-	3,000	3,000
Capital outlay	181,931	-	181,931
Total expenditures	581,684	6,895	588,579
Excess (deficiency) of revenues over (under) expenditures	174,977	200,328	375,305
OTHER FINANCING SOURCES (USES)			
Transfers in	37,000	9,938	46,938
Transfers out	(106,230)	(211,665)	(317,895)
Total other financing sources (uses)	(69,230)	(201,727)	(270,957)
Net change in fund balances	105,747	(1,399)	104,348
Fund balances - beginning	1,524,505	1,792,945	3,317,450
Fund balances - ending	\$ 1,630,252	\$ 1,791,546	\$ 3,421,798

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

	<u>Gax Tax</u>	<u>Measure C</u>	<u>Senior Center</u>	<u>COPS Grant</u>
ASSETS				
Cash and investments				
Unrestricted	\$ 443,699	\$ 577,934	\$ -	\$ -
Accounts and interest receivable	-	24,738	-	10,000
Land held for low and moderate housing projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 443,699</u>	 <u>\$ 602,672</u>	 <u>\$ -</u>	 <u>\$ 10,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expense	\$ 9,132	\$ 2,088	\$ 2,771	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>1,387</u>	<u>-</u>
 Total liabilities	 <u>9,132</u>	 <u>2,088</u>	 <u>4,158</u>	 <u>-</u>
Fund balances:				
Restricted:				
Circulation improvements	434,567	600,584	-	-
Public safety programs	-	-	-	10,000
Low-income housing activities	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(4,158)</u>	<u>-</u>
 Total fund balances	 <u>434,567</u>	 <u>600,584</u>	 <u>(4,158)</u>	 <u>10,000</u>
 Total liabilities and fund balances	 <u>\$ 443,699</u>	 <u>\$ 602,672</u>	 <u>\$ -</u>	 <u>\$ 10,000</u>

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

	Vehicle Abandonment	Low and Moderate Income Housing Asset	Total
ASSETS			
Cash and investments			
Unrestricted	\$ 14,870	\$ -	\$ 1,036,503
Accounts and interest receivable	-	-	34,738
Land held for low and moderate housing projects	-	574,389	574,389
	<u>-</u>	<u>574,389</u>	<u>574,389</u>
Total assets	<u>\$ 14,870</u>	<u>\$ 574,389</u>	<u>\$ 1,645,630</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expense	\$ -	\$ -	13,991
Due to other funds	-	-	1,387
	<u>-</u>	<u>-</u>	<u>1,387</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>15,378</u>
Fund balances:			
Restricted:			
Circulation improvements	-	-	1,035,151
Public safety programs	14,870	-	24,870
Low-income housing activities	-	574,389	574,389
Unassigned	-	-	(4,158)
	<u>-</u>	<u>-</u>	<u>(4,158)</u>
Total fund balances	<u>14,870</u>	<u>574,389</u>	<u>1,630,252</u>
Total liabilities and fund balances	<u>\$ 14,870</u>	<u>\$ 574,389</u>	<u>\$ 1,645,630</u>

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

	<u>Gax Tax</u>	<u>Measure C</u>	<u>Senior Center</u>	<u>COPS Grant</u>
REVENUES				
Intergovernmental	\$ 292,921	\$ 335,784	\$ 14,200	\$ 106,230
Interest	-	627	-	-
Other	-	-	6,899	-
Total revenues	<u>292,921</u>	<u>336,411</u>	<u>21,099</u>	<u>106,230</u>
EXPENDITURES				
Current:				
Parks and community services	-	-	55,881	-
Public works	-	-	-	-
Highway and streets	208,269	134,603	-	-
Capital outlay	-	181,931	-	-
Total expenditures	<u>208,269</u>	<u>316,534</u>	<u>55,881</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,652</u>	<u>19,877</u>	<u>(34,782)</u>	<u>106,230</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	37,000	-
Transfers out	-	-	-	(106,230)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,000</u>	<u>(106,230)</u>
Net change in fund balances	84,652	19,877	2,218	-
Fund balances - beginning	<u>349,915</u>	<u>580,707</u>	<u>(6,376)</u>	<u>10,000</u>
Fund balances - ending	<u>\$ 434,567</u>	<u>\$ 600,584</u>	<u>\$ (4,158)</u>	<u>\$ 10,000</u>

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

	Vehicle Abandonment	Low and Moderate Income Housing Asset	Total
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 749,135
Interest	-	-	627
Other	-	-	6,899
Total revenues	<u>-</u>	<u>-</u>	<u>756,661</u>
EXPENDITURES			
Current:			
Parks and community services	-	-	55,881
Public works	1,000	-	1,000
Highway and streets	-	-	342,872
Capital outlay	-	-	181,931
Total expenditures	<u>1,000</u>	<u>-</u>	<u>581,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>-</u>	<u>174,977</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	37,000
Transfers out	-	-	(106,230)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(69,230)</u>
Net change in fund balances	(1,000)	-	105,747
Fund balances - beginning	<u>15,870</u>	<u>574,389</u>	<u>1,524,505</u>
Fund balances - ending	<u>\$ 14,870</u>	<u>\$ 574,389</u>	<u>\$ 1,630,252</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	<u>Capital Facilities</u>	<u>Sewer Connection</u>	<u>Storm Drain</u>	<u>Parks and Recreation</u>
ASSETS				
Cash and investments				
Unrestricted	\$ 653,492	\$ 946,514	\$ 15,883	\$ 152,808
Accounts and interest receivable, net	<u>161</u>	<u>222</u>	<u>19</u>	<u>17</u>
Total assets	<u>\$ 653,653</u>	<u>\$ 946,736</u>	<u>\$ 15,902</u>	<u>\$ 152,825</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ 3,000	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital improvements	<u>653,653</u>	<u>946,736</u>	<u>12,902</u>	<u>152,825</u>
Total fund balances	<u>653,653</u>	<u>946,736</u>	<u>12,902</u>	<u>152,825</u>
Total liabilities and fund balances	<u>\$ 653,653</u>	<u>\$ 946,736</u>	<u>\$ 15,902</u>	<u>\$ 152,825</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	Special Assessment Projects	Equipment Replacement	Total
ASSETS			
Cash and investments			
Unrestricted	\$ -	\$ 25,430	\$ 1,794,127
Accounts and interest receivable, net	-	-	419
 Total assets	<u>\$ -</u>	<u>\$ 25,430</u>	<u>\$ 1,794,546</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ -	\$ 3,000
 Total liabilities	-	-	3,000
Fund balances:			
Restricted:			
Capital improvements	-	25,430	1,791,546
 Total fund balances	-	25,430	1,791,546
 Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 25,430</u>	<u>\$ 1,794,546</u>

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

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation
REVENUES				
Development fees	\$ 130,814	\$ 15,974	\$ 40,682	\$ 18,564
Interest	<u>371</u>	<u>607</u>	<u>26</u>	<u>152</u>
Total revenues	<u>131,185</u>	<u>16,581</u>	<u>40,708</u>	<u>18,716</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Planning and community development	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>131,185</u>	<u>16,581</u>	<u>37,708</u>	<u>18,716</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	-	-	-
Transfers out	<u>(211,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(211,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(80,480)	16,581	37,708	18,716
Fund balances - beginning	<u>734,133</u>	<u>930,155</u>	<u>(24,806)</u>	<u>134,109</u>
Fund balances - ending	<u>\$ 653,653</u>	<u>\$ 946,736</u>	<u>\$ 12,902</u>	<u>\$ 152,825</u>

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

	Special Assessment Projects	Equipment Replacement	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Development fees	\$ -	\$ -	\$ 206,034
Interest	<u>-</u>	<u>33</u>	<u>1,189</u>
Total revenues	<u>-</u>	<u>33</u>	<u>207,223</u>
EXPENDITURES			
Current:			
General government	3,895	-	3,895
Planning and community development	<u>-</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>3,895</u>	<u>-</u>	<u>6,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,895)</u>	<u>33</u>	<u>200,328</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	9,938	-	9,938
Transfers out	<u>-</u>	<u>-</u>	<u>(211,665)</u>
Total other financing sources (uses)	<u>9,938</u>	<u>-</u>	<u>(201,727)</u>
Net change in fund balances	6,043	33	(1,399)
Fund balances - beginning	<u>(6,043)</u>	<u>25,397</u>	<u>1,792,945</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 25,430</u>	<u>\$ 1,791,546</u>

**CITY OF KINGSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Pass-through Fresno-Madera Area Agency on Aging: Special Program for the Aging_Title III, Part C1 Site Management	93.044	14-0131	\$ <u>15,202</u>
Total U.S. Department of Health and Human Services			<u>15,202</u>
Total Aging Cluster			15,202
U.S. Department of Housing and Urban Development Pass-through County of Fresno: Community Development Block Grants	14.218	13-555	<u>5,352</u>
Total U.S. Department of Housing and Urban Development			<u>5,352</u>
Total CDBG - Entitlement Grants Cluster			5,352
U.S. Department of Transportation Pass-through California Department of Transportation:			
Highway Planning and Construction	20.205	CML-5170(031)	82,539
Highway Planning and Construction	20.205	STPL-5170(043)	1,257
Highway Planning and Construction	20.205	STPL-5170(042)	116,031
Highway Planning and Construction	20.205	CML-5170(045)	150
Highway Planning and Construction	20.205	STPL-5170(049)	3,964
Highway Planning and Construction	20.205	CML-5170(044)	288
Highway Planning and Construction	20.205	CML-5170(038)	8,641
Highway Planning and Construction	20.205	CML-5170(040)	232,447
Highway Planning and Construction	20.205	CML-5170(039)	78
Highway Planning and Construction	20.205	CML-5170(046)	9,016
Highway Planning and Construction	20.205	CML-5170(052)	487
Highway Planning and Construction	20.205	STPL-5170(053)	30,747
Highway Planning and Construction	20.205	RPSTPLE-5170(050)	<u>692,542</u>
<i>Total Highway Planning and Construction</i>			<u>1,178,187</u>
Total U.S. Department of Transportation			<u>1,178,187</u>
U.S. Department of Homeland Security Direct Award:			
Staffing for Adequate Fire and Emergency Response	97.083		199,462
Pass-through County of Fresno: County of Fresno Homeland Security Grant Program	97.067	2013	<u>32,587</u>
Total U.S. Department of Homeland Security			<u>232,049</u>
Total Expenditures of Federal Awards			<u>\$ 1,430,790</u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kingsburg and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *(OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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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 Kingsburg, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsburg, 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 November 20, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 20, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kingsburg, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Kingsburg, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
November 20, 2015

FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? X Yes _____ No

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

SECTION III – FEDERAL AUDIT FINDINGS

No items are reportable.

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

FINANCIAL STATEMENT FINDINGS

Finding 2014-001

Condition: The City did not properly reverse prior year accounts receivable during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts. City management agreed with our adjustments and posted the entries.

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

Cause: Financial adjustments to reverse prior year accounts receivable were not identified and posted to the City accounting records.

Effect: As a result of this condition, accounts receivable in the General, Measure C Fund and Ambulance/Fire Funds were misstated.

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: The prior Finance Director retired, during the transition a proper reconciliation was not completed. A closing checklist will be put in place to reconcile account balances.

Status: Implemented

Finding 2014-002

Condition: The City did not properly record accrued interest payable related to long-term debt during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts. City management agreed with our adjustments and posted the entries.

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause: Financial closing adjustments to record accrued interest payable were not identified and posted to the City accounting records.

Effect: As a result of this condition, accrued interest payable was misstated in the Water Fund on the CIEDB Water Loan and the Water Meters Capital Lease.

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: The prior Finance Director retired; during the transition a proper reconciliation was not completed. A closing checklist will be put in place to reconcile account balances.

Status: Implemented

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

FEDERAL AWARD FINDINGS

Finding 2014-003

Condition: The City provided an incorrect Schedule of Expenditures of Federal Awards (SEFA). The SEFA provided was missing grants and had incorrect amounts reported. After the errors were identified, the Schedule was adjusted to accurately report total federal awards expended.

Criteria: Circular A-133 §____.310(b) states that the auditee should prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements. The SEFA should provide total Federal awards expended for each individual Federal program.

Cause: No reconciliation was performed between the SEFA and the accounting records.

Effect: Total Federal expenditures reported on the SEFA were understated and grants were missing. An improperly prepared SEFA can result in noncompliance with Circular A-133.

Recommendation: We recommend that the City establish formal procedures for the reconciliation of the SEFA to the accounting records.

Management Response: The prior Finance Director retired; during the transition a proper reconciliation was not completed. A closing checklist will be put in place to reconcile account balances.

Status: Implemented