

CITY OF COALINGA

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	6
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	7
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Position	8
Statement of Net Position - Proprietary Funds	9
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Fiduciary Net Position – Private Purpose Trust Funds	12
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds	13
Notes to Financial Statements	14 - 37

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	38
Budgetary Comparison Schedule – Coalinga Public Financing Authority Fund	39
Supplemental Only Information	
Combining Balance Sheet – Nonmajor Governmental Funds	40 - 41
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	42 – 43
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 <i>GOVERNMENT AUDITING STANDARDS</i>	44 - 45

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

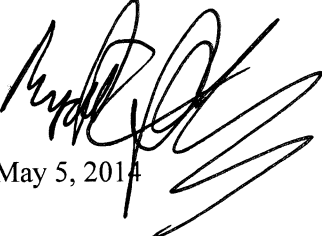
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coalinga's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental only information is 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 supplemental only information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of the City of Coalinga's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Coalinga's internal control over financial reporting and compliance.


May 5, 2014

CITY OF COALINGA

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 4,333,020	\$ 4,071,369	\$ 8,404,389
Cash and investments with fiscal agent	2,219,334	6,542,630	8,761,964
Accounts receivable, net	796,040	838,521	1,634,561
Due from other governments	291,431	-	291,431
Internal balances	(323,196)	323,196	-
Notes receivable	1,886,410	-	1,886,410
Bonds receivable	13,825,000	-	13,825,000
Deferred charges - Bond issuance costs, net	(85,316)	774,112	688,796
Capital assets, net of allowance for depreciation	<u>22,858,403</u>	<u>16,295,150</u>	<u>39,153,553</u>
Total assets	<u>45,801,126</u>	<u>28,844,978</u>	<u>74,646,104</u>
LIABILITIES			
Accounts payable and accrued expense	672,782	392,363	1,065,145
Accrued interest payable	147,645	174,414	322,059
Deposits and claims payable	75,863	26,400	102,263
Long-term liabilities			
Due within one year	1,249,421	260,000	1,509,421
Due in more than one year	21,179,537	13,565,000	34,744,537
Compensated absences	418,376	138,464	556,840
Total liabilities	<u>23,743,624</u>	<u>14,556,641</u>	<u>38,300,265</u>
NET POSITION			
Net investment in capital asseets	14,009,445	8,298,280	22,307,725
Restricted for debt service	2,155,264	826,043	2,981,307
Restricted for capital improvements	3,099,147	5,716,587	8,815,734
Restricted for specific projects and programs	3,590,185	-	3,590,185
Unrestricted	(796,539)	(552,573)	(1,349,112)
Total net position	<u>\$ 22,057,502</u>	<u>\$ 14,288,337</u>	<u>\$ 36,345,839</u>

CITY OF COALINGA

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenue			Net Revenue/(Expense) and Changes in Net Position			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,582,326	\$ 99,933	\$ 290,891	\$ -	\$ (1,191,503)	\$ -	\$ (1,191,503)
Public works	1,617,779	-	1,371,299	-	(246,480)	-	(246,480)
Community development	736,133	179,430	-	985,115	428,412	-	428,412
Claremont	472,719	-	-	-	(472,719)	-	(472,719)
Public safety	6,348,272	1,670,928	136,727	-	(4,540,617)	-	(4,540,617)
Debt Service							
Interest and fiscal charges	1,189,451	1,721,151	-	-	531,700	-	531,700
Total governmental activities	11,946,680	3,671,442	1,798,917	985,115	(5,491,207)	-	(5,491,207)
Business-type activities							
Water	4,077,471	4,033,159	-	13,349	-	(30,963)	(30,963)
Sewer	826,114	1,034,307	-	-	-	208,193	208,193
Natural Gas	1,686,043	1,655,713	-	-	-	(30,330)	(30,330)
Sanitation	1,738,324	1,697,031	19,916	-	-	(21,377)	(21,377)
Utility Billing	516,536	171,279	-	-	-	(345,257)	(345,257)
Total business-type activities	8,844,488	8,591,489	19,916	13,349	-	(219,734)	(219,734)
Total primary government	\$ 20,791,168	\$ 12,262,931	\$ 1,818,833	\$ 998,464	(5,491,207)	(219,734)	(5,710,941)
General Revenue							
Property taxes					2,809,463	-	2,809,463
Special assessments					205,264	-	205,264
Sales taxes					653,789	-	653,789
Franchise and other taxes					359,557	-	359,557
Business licenses					102,973	-	102,973
Rents					120,831	22,700	143,531
Interest income					74,332	13,295	87,627
Other					132,875	-	132,875
Transfers					635,791	(635,791)	-
Total general revenue and transfers					5,094,875	(599,796)	4,495,079
Change in Net Position					(396,332)	(819,530)	(1,215,862)
Net Position							
Beginning of year					22,453,833	15,107,867	37,561,700
End of year					22,057,502	14,288,337	36,345,839

See accompanying notes.

CITY OF COALINGA

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Coalinga Public Financing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ 328,952	\$ 4,004,068	\$ 4,333,020
Cash and investments with fiscal agent	697,315	1,522,019	-	2,219,334
Accounts receivable, net	390,458	-	405,582	796,040
Due from other governments	93,941	-	197,490	291,431
Due from other funds	-	-	2,712,126	2,712,126
Notes receivable	-	-	1,886,410	1,886,410
Bonds receivable	-	21,929,942	-	21,929,942
Total assets	<u>\$ 1,181,714</u>	<u>\$ 23,780,913</u>	<u>\$ 9,205,676</u>	<u>\$ 34,168,303</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expense	\$ 554,033	\$ -	\$ 118,749	\$ 672,782
Deposits and claims payable	57,513	-	18,350	75,863
Due to other funds	2,533,661	-	501,661	3,035,322
Deferred revenue	-	21,929,942	1,886,410	23,816,352
Total liabilities	<u>3,145,207</u>	<u>21,929,942</u>	<u>2,525,170</u>	<u>27,600,319</u>
Fund Balance				
Restricted				
Debt service	-	1,850,971	304,293	2,155,264
Capital improvement projects	-	-	3,099,147	3,099,147
Circulation improvements	-	-	2,850,046	2,850,046
Public safety	51,426	-	29,741	81,167
Environmental conservation	117,842	-	-	117,842
Economic development	-	-	536,900	536,900
Low-income housing activities	-	-	4,230	4,230
Unassigned	<u>(2,132,761)</u>	<u>-</u>	<u>(143,851)</u>	<u>(2,276,612)</u>
Total fund balance	<u>(1,963,493)</u>	<u>1,850,971</u>	<u>6,680,506</u>	<u>6,567,984</u>
Total liabilities and fund balance	<u>\$ 1,181,714</u>	<u>\$ 23,780,913</u>	<u>\$ 9,205,676</u>	<u>\$ 34,168,303</u>

CITY OF COALINGA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2013

Total governmental fund balance \$ 6,567,984

Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds 22,858,403

Deferred revenue balances relating to certain receivables are not reported
as liabilities in the Statement of Net Position since revenue recognition
is not based upon measurable and available criteria 15,711,410

Governmental long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds (22,428,958)

Compensated absences are not due and payable in the current
period and therefore are not reported in the funds (418,376)

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 when incurred (147,645)

Governmental funds report debt costs such as issuance costs and
original issue discounts as an expenditure when those
costs are incurred because they require the use of current financial
resources. However, debt issuance costs must be included as a
deferred charge in the Government-Wide Financial Statements (85,316)

Net position of governmental activities \$ 22,057,502

CITY OF COALINGA

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

	General	Coalinga Public Financing Authority	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 3,925,783	\$ -	\$ -	\$ 3,925,783
Licenses, permits and impact fees	51,960	-	-	51,960
Intergovernmental	84,319	-	2,699,713	2,784,032
Charges for services	1,721,503	-	29,795	1,751,298
Fines and forfeitures	147,033	-	-	147,033
Rental	60,865	-	59,966	120,831
Interest	669	62,333	11,330	74,332
Loan payments	-	2,062,810	-	2,062,810
Other	120,484	-	12,391	132,875
Total revenue	<u>6,112,616</u>	<u>2,125,143</u>	<u>2,813,195</u>	<u>11,050,954</u>
Expenditures				
Current				
General government	935,043	-	-	935,043
Public works	696,526	-	899,134	1,595,660
Community development	230,844	-	154,416	385,260
Claremont	244,757	-	-	244,757
Public safety	6,039,502	-	25,720	6,065,222
Capital outlay	13,172	-	2,160,146	2,173,318
Debt Service				
Principal	129,633	915,000	121,000	1,165,633
Interest and fiscal charges	29,110	1,102,330	76,676	1,208,116
Total expenditures	<u>8,318,587</u>	<u>2,017,330</u>	<u>3,437,092</u>	<u>13,773,009</u>
Revenue over/(under) expenditure:	(2,205,971)	107,813	(623,897)	(2,722,055)
Other Financing Sources/(Uses)				
Redemption of special assessment debt	-	-	205,264	205,264
Transfers in/(out) - net	635,791	-	-	635,791
	<u>635,791</u>	<u>-</u>	<u>205,264</u>	<u>841,055</u>
Change in Fund Balance	(1,570,180)	107,813	(418,633)	(1,881,000)
Fund Balance				
Beginning of year, (Restated) Note 14	(393,313)	1,743,158	7,099,139	8,448,984
End of year	<u>\$ (1,963,493)</u>	<u>\$ 1,850,971</u>	<u>\$ 6,680,506</u>	<u>\$ 6,567,984</u>

CITY OF COALINGA

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2013

Net change in fund balance - total governmental funds \$ (1,881,000)

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

Depreciation expense on capital assets is reported in the Statement of
Activities, but they do not require the use of current financial
resources. Therefore, depreciation expense is not required as
expenditures in Governmental Funds (1,551,883)

Amortization of deferred debt costs in the Statement of Activities does
not require the use of current financial resources and is not
required as expenditures in Governmental Funds 6,636

Governmental Funds report capital outlay as expenditures. However, in the
Statement of Activities the cost of those assets are capitalized as an
asset and depreciated over the period of service 2,173,318

Repayment of long-term receivables are revenue in governmental funds, but
the receipt reduces long-term receivables in the Statement of Net Position (341,661)

Repayment of long-term debt is an expenditure in governmental funds, but
the repayment reduces long-term liabilities in the Statement of Net Position 1,165,633

Compensated absence costs in the Statement of Activities does not
require the use of current financial resources and, therefore, is
not reported as expenditures in Governmental Funds 13,960

In the Statement of Activities interest is accrued on long-term debt, whereas,
in governmental funds interest expenditure is reported when due 18,665

Change in net position of governmental activities \$ (396,332)

CITY OF COALINGA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds						Total Proprietary Funds
	Water	Sewer	Natural Gas	Sanitation	Utility Billing		
ASSETS							
Current assets							
Cash and investments	\$ 462,415	\$ 1,533,748	\$ 1,978,364	\$ -	\$ 96,842	\$ 4,071,369	
Cash and investments with fiscal agent	5,642,343	900,287	-	-	-	6,542,630	
Accounts receivable, net	428,160	122,595	64,630	205,032	18,104	838,521	
Due from other funds	-	934,150	378,000	-	-	1,312,150	
Total current assets	6,532,918	3,490,780	2,420,994	205,032	114,946	12,764,670	
Non-current assets							
Property, plant and equipment, net of allowance for depreciation	9,318,531	6,337,459	521,867	117,293	-	16,295,150	
Deferred charges - Bond issuance costs, net	588,325	185,787	-	-	-	774,112	
Total assets	\$ 16,439,774	\$ 10,014,026	\$ 2,942,861	\$ 322,325	\$ 114,946	\$ 29,833,932	
LIABILITIES							
Current liabilities							
Accounts payable and accrued expense	\$ 145,901	\$ 29,084	\$ 51,217	\$ 140,308	\$ 25,853	\$ 392,363	
Accrued interest payable	137,096	37,318	-	-	-	174,414	
Deposits	26,400	-	-	-	-	26,400	
Due to other funds	793,281	-	-	195,673	-	988,954	
Current portion of long-term debt	260,000	-	-	-	-	260,000	
Total current liabilities	1,362,678	66,402	51,217	335,981	25,853	1,842,121	
Non-current liabilities							
Long-term debt	10,475,000	3,090,000	-	-	-	13,565,000	
Compensated absences	49,558	17,416	26,622	13,343	31,525	138,464	
Total noncurrent liabilities	10,524,558	3,107,416	26,622	13,343	31,525	13,703,464	
Total liabilities	11,887,236	3,173,818	77,839	349,324	57,378	15,545,595	
NET POSITION							
Net investment in capital assets	4,225,874	3,433,246	521,867	117,293	-	8,298,280	
Restricted for debt service	627,793	198,250	-	-	-	826,043	
Restricted for capital improvements	5,014,550	702,037	-	-	-	5,716,587	
Unrestricted/(deficit)	(5,315,679)	2,506,675	2,343,155	(144,292)	57,568	(552,573)	
Total net position	\$ 4,552,538	\$ 6,840,208	\$ 2,865,022	\$ (26,999)	\$ 57,568	\$ 14,288,337	

See accompanying notes.

CITY OF COALINGA

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds						Total Proprietary Funds
	Water	Sewer	Natural Gas	Sanitation	Utility Billing		
Operating Revenue							
Charges for services	\$ 4,029,917	\$ 1,034,182	\$ 1,655,713	\$ 1,697,031	\$ 171,279	\$	8,588,122
Connection charges	3,242	125	-	-	-	-	3,367
Total operating income	4,033,159	1,034,307	1,655,713	1,697,031	171,279		8,591,489
Operating Expense							
Contractual services and utilities	905,594	156,226	201,821	1,628,017	42,117		2,933,775
Personnel	786,384	263,262	354,462	81,570	428,807		1,914,485
Supplies and materials	438,444	66,777	26,901	24,970	45,612		602,704
Cost of sales	732,266	-	1,058,448	-	-		1,790,714
Depreciation	667,405	188,486	44,411	3,767	-		904,069
Total operating expense	3,530,093	674,751	1,686,043	1,738,324	516,536		8,145,747
Operating income/(loss)	503,066	359,556	(30,330)	(41,293)	(345,257)		445,742
Nonoperating Revenue/(Expense)							
Intergovernmental	-	-	-	19,916	-		19,916
Development impact fees	13,349	-	-	-	-		13,349
Interest income	2,276	5,116	5,903	-	-		13,295
Rental income	-	22,700	-	-	-		22,700
Amortization of bond issuance costs	(17,432)	(5,505)	-	-	-		(22,937)
Interest expense	(529,946)	(145,858)	-	-	-		(675,804)
Total nonoperating revenue/(expense)	(531,753)	(123,547)	5,903	19,916	-		(629,481)
Net income/(loss) before transfers	(28,687)	236,009	(24,427)	(21,377)	(345,257)		(183,739)
Operating Transfers In/(Out)	(438,518)	(290,252)	(231,484)	(25,957)	350,420		(635,791)
Change in Net Position	(467,205)	(54,243)	(255,911)	(47,334)	5,163		(819,530)
Net Position							
Beginning of year	5,019,743	6,894,451	3,120,933	20,335	52,405		15,107,867
End of year	4,552,538	6,840,208	2,865,022	(26,999)	57,568		14,288,337

See accompanying notes.

CITY OF COALINGA

**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds						Total Business-Type Funds
	Water	Sewer	Natural Gas	Sanitation	Utility Billing		
Operating Activities							
Receipts from customers and users	\$ 4,021,061	\$ 1,028,673	\$ 1,653,059	\$ 1,695,766	\$ 162,133	\$	\$ 8,560,692
Payments for contractual services and utilities	(926,092)	(150,682)	(205,820)	(1,625,072)	(43,865)		(2,951,531)
Payments to employees	(795,238)	(265,861)	(354,325)	(70,181)	(433,969)		(1,919,574)
Payments to suppliers	(438,444)	(66,777)	(26,901)	(24,970)	(45,612)		(602,704)
Payments for cost of sales	(732,266)	-	(1,058,448)	-	-		(1,790,714)
Net cash provided by (used in) operating activities	1,129,021	545,353	7,565	(24,457)	(361,313)		1,296,169
Non-capital Financial Activities							
Payments from other governments	-	-	-	19,916	-		19,916
Payments from developers	13,349	-	-	-	-		13,349
Transfers (to)/from other funds	(438,518)	(431,121)	(231,484)	4,541	350,420		(746,162)
Net cash provided by (used in) noncapital financing activities	(425,169)	(431,121)	(231,484)	24,457	350,420		(712,897)
Capital and Related Financing Activities							
Purchase of property, plant and equipment	(66,834)	-	-	-	-		(66,834)
Principal paid on long-term debt	(245,000)	-	-	-	-		(245,000)
Interest paid on long-term debt	(531,167)	(144,712)	-	-	-		(675,879)
Net cash provided by (used in) capital and related financing activities	(843,001)	(144,712)	-	-	-		(987,713)
Investing Activities							
Interest and rents received	2,276	27,816	5,903	-	-		35,995
Net cash provided by investing activities	2,276	27,816	5,903	-	-		35,995
Net Increase (Decrease) in Cash	(136,873)	(2,664)	(218,016)	-	(10,893)		(368,446)
Cash							
Beginning of year	6,241,631	2,436,699	2,196,380	-	107,735		10,982,445
End of year	6,104,758	2,434,035	1,978,364	-	96,842		10,613,999
Cash Flows from Operating Activities							
Operating income (loss)	\$ 503,066	\$ 359,556	\$ (30,330)	\$ (41,293)	\$ (345,257)	\$	445,742
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	667,405	188,486	44,411	3,767	-		904,069
(Increase) Decrease in Accounts Receivable	(6,098)	(5,634)	(2,654)	(1,265)	(9,146)		(24,797)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(35,352)	2,945	(3,862)	14,334	(6,910)		(28,845)
Net Cash Provided by (Used in) Operating Activities	\$ 1,129,021	\$ 545,353	\$ 7,565	\$ (24,457)	\$ (361,313)	\$	1,296,169

See accompanying notes.

CITY OF COALINGA

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS JUNE 30, 2013

	<u>Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
ASSETS			
Cash and investments	\$ 1,081,402	\$ 54,651	\$ 1,136,053
Cash and investments with fiscal agent	3,278,225	-	3,278,225
Notes receivable	150,710	-	150,710
Land held for sale	3,107,848	-	3,107,848
Total assets	<u>7,618,185</u>	<u>54,651</u>	<u>7,672,836</u>
LIABILITIES			
Accounts payable and accrued expense	25,917	2,000	27,917
Interest payable	208,876	-	208,876
Long-term Debt			
Due within one year	874,000		
Due in more than one year	11,850,442	-	11,850,442
Total liabilities	<u>12,959,235</u>	<u>2,000</u>	<u>12,087,235</u>
NET POSITION			
Held in trust for other governments	<u>\$ (5,341,050)</u>	<u>\$ 52,651</u>	<u>\$ (5,288,399)</u>

CITY OF COALINGA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS YEAR ENDED JUNE 30, 2013

	<u>Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS			
Property Taxes	\$ 2,300,838	\$ -	\$ 2,300,838
Investments, rents and other earnings	46,523	163	46,686
Total additions	<u>2,347,361</u>	<u>163</u>	<u>2,347,524</u>
DEDUCTIONS			
Administrative costs	250,000	-	250,000
Program expenses	735,959	5,000	740,959
Interest and fiscal agency expenses of the former redevelopment agency	806,027	-	806,027
Total deductions	<u>1,791,986</u>	<u>5,000</u>	<u>1,796,986</u>
Change in Net Position	555,375	(4,837)	550,538
Net Position			
Beginning of year	<u>(5,896,425)</u>	<u>57,488</u>	<u>(5,838,937)</u>
End of year	<u>\$ (5,341,050)</u>	<u>\$ 52,651</u>	<u>\$ (5,288,399)</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

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

Reporting Entity

The City was incorporated as a general law city in 1906. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water, sewer, natural gas, transit and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Also included in this report is the Coalinga Public Financing Authority (CPFA). The CPFA was established in 1991 through a Joint Exercise of Powers Agreement between the City, the Agency, and the Coalinga-Huron Unified School District. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the CPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City. The City set up the CPFA to act as a financing/lending type institution only. The CPFA/City legislative meetings are held concurrently. No separate annual financial statements are prepared for the CPFA.

Basis of Presentation – Fund Accounting

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

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

The City reports the following major governmental funds:

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

Coalinga Public Financing Authority – The Coalinga Public Financing Authority Fund is used to account for revenues and expenditures of the CPFA 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.

The City reports the following additional fund types:

Private-Purpose Trust Fund - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency and Ayres/Beason Scholarships.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

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

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

Financial Statement Amounts

Cash and 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.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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 year 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 uncollectibles.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is 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 year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

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

Ambulance Receivables – The City uses an independent billing company to bill and collect on all ambulance services. Due to the large amount of bad debts and write-offs, up to 70% of billings, it is the City's policy to report as accounts receivable only those funds that are collected within the two month period following June 30 of each year.

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

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

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

	<u>Years</u>
Infrastructure	10 - 50
Buildings, structures and improvements	5 - 40
Water storage rights	40
Transmission and distribution equipment	5 - 50
Rolling equipment	2 - 30
Office equipment	3 - 10

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

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

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

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

- 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 the balance in this category.
- Restricted Net Position - This category presents external restrictions on Net Position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents Net Position of the City not restricted for any project or other purpose.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 2 – Stewardship, Compliance and Accountability

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

In accordance with applicable sections of the California Government Code and the Coalinga 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.

Note 3 – Cash and Investments

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

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 8,404,389
Cash and Investments with fiscal agent	8,761,964
Fiduciary Funds:	
Cash and Investments	1,136,053
Cash and Investments with fiscal agent	3,278,225
Total Cash and Investments	<u>\$ 21,580,631</u>

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

Deposits with Financial Institutions	\$ 2,437,382
Local Agency Investment Fund	7,103,058
Held by Fiscal Agent:	
Cash and Money Market Funds	10,518,171
Treasury Obligations	379,537
Notes, Mortgages, and Contracts	1,142,483
Total Cash and Investments	<u>\$ 21,580,631</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 3 – Cash and Investments (Continued)

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

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

<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
JPA Pools (other investment pools)	N/A	None	None

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in the Local Agency Investment Fund (LAIF) is available for withdraw in one business day.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment in LAIF is not subject to rating.

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. There are no investments in any one issuer that represent 5% or more of total City investments.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

Note 4 – Receivables

Receivables (net of allowances for uncollectibles, where applicable) at June 30, 2013 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable, net	\$ 796,040	\$ 838,521	\$ 1,634,561
Due from other governments	291,431	-	291,431
Notes receivable	1,886,410	-	1,886,410
Bonds receivable	21,929,942	-	21,929,942
	<u>\$ 24,903,823</u>	<u>\$ 838,521</u>	<u>\$ 25,742,344</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 4 – Receivables (Continued)

Accounts Receivable

Summaries of accounts receivable and the corresponding allowances for uncollectibles at June 30, 2013 are as follows:

	<u>Total</u>	<u>Allowance</u>	<u>Net</u>
<u>Governmental Activities</u>			
General	\$ 484,399	\$ -	\$ 484,399
Other Governmental Funds	603,072	-	603,072
	<u>\$ 1,087,471</u>	<u>\$ -</u>	<u>\$ 1,087,471</u>
<u>Business-Type Activity</u>			
Water	\$ 468,821	\$ 40,661	\$ 428,160
Sewer	135,660	13,065	122,595
Natural Gas	85,347	20,717	64,630
Sanitation	227,679	22,647	205,032
Utility Billing	18,104	-	18,104
	<u>\$ 935,611</u>	<u>\$ 97,090</u>	<u>\$ 838,521</u>

Notes Receivable

Downpayment Assistance Program – Long-term notes receivable of \$1,886,410 represent monies loaned to homebuyers in connection with a downpayment assistance program. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30 year deferral period. At the time of sale, the seller pays the loan balance in full without interest. Starting at the end of the 30 year deferral period, the borrower is required to repay the Downpayment Assistance loan, without interest, over the following 15 years.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 4 – Receivables (Continued)

Bonds Receivable

Bonds receivable consists of debt instruments purchased by the Coalinga Public Financing Authority (CPFA) - Special Revenue Fund. The CPFA was established in 1991 through a Joint Exercise of Powers Agreement between the City, the Agency, and the Coalinga-Huron Unified School District. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the CPFA. The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance the costs of various projects for the City and other external agencies. The City set up the CPFA to act as a financing/lending type institution only. In financing the various capital improvement projects, the CPFA purchased bonds, entered into lease/sub-lease agreements and capital financing contracts with the City and other external agencies. Repayment terms and conditions of the various bonds are detailed in Note 7. The following is a list of the debt instruments comprising the CPFA bonds receivable at June 30, 2013:

Bonds Receivable

Enterprise Funds

Water Bonds	\$ 10,735,000
Sewer Bonds	3,090,000
	<u>13,825,000</u>

Other Governmental Funds

Redevelopment Agency Bonds	7,239,942
Airport Construction Bonds	115,000
Special Assessment Bonds	750,000
	<u>8,104,942</u>

Total Bonds Receivable	\$ 21,929,942
-------------------------------	----------------------

The Water and Sewer Bonds are being used for the purpose of financing the acquisition, construction and improvement of certain water and sewer facilities and improvements.

The Redevelopment Agency Bonds were issued by the City's Redevelopment Agency to finance various community projects and defease certain debt.

Airport Construction Bonds represent monies which were used as matching funds required by the Federal Aviation Administration.

Special Assessment Bonds for Assessment Districts 91-1, 91-2, and 92-1 accounted for in the General Fund, were purchased by the CPFA. The Special Assessment Bonds financed the Monterey Avenue Extension, the Jayne Avenue Industrial Park, and the Elm Avenue Expansion projects.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 4 – Receivables (Continued)

Special Assessments

Special assessments receivables consist of outstanding property assessments. Property tax assessments are collected twice a year by the County in aggregate amounts generally equal to the amount of special assessment bonds payable. It is intended for collections to generally equal annual payments with minor, if any, fund residuals remaining.

In the event that one of the agencies repays the debt prior to the specified time, the CPFA can use the funds received to purchase other financing type agreements. There is no stipulation for those funds to be used to repay the CPFA Revenue Bonds early. Therefore, the CPFA can use these funds and/or combine them with the remaining balance of the original issue proceeds to enter into a new financing agreement with an agency. Thus in this sense, these monies can be used in the same way revolving loan monies are disbursed. This flexibility was designed to allow financing type contractual agreements.

Based on the financing/lending institution perception, financial reporting for the CPFA is through a conservative revenue/expenditure flow approach. The revenue/expenditure stream shows the true details of each financing agreement in addition to the initial Marks-Roos Bond Pool issues for the CPFA.

In the governmental funds, the CPFA shows revenues from the various financing agreements (i.e., payments of principal and interest) and expenditures for its own debt service. In addition, the CPFA Balance Sheet reflects bonds receivable, which is offset by a corresponding amount in deferred revenue.

Note 5 – Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2013 are as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 2,533,661
Community Development Fund	2,712,126	-
Natural Gas Fund	378,000	-
Sewer Fund	934,150	-
Water Fund	-	793,281
Sanitation Fund	-	195,673
Transit Fund	-	123,661
Development Impact Fees Fund	-	378,000
	<u>\$ 4,024,276</u>	<u>\$ 4,024,276</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 6 – Capital Assets – Capital asset activities for the year ended June 30, 2013 were as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,510,343	\$ -	\$ -	\$ 2,510,343
Construction in progress	<u>377,113</u>	<u>1,975,366</u>	<u>(1,596,847)</u>	<u>755,632</u>
Total capital assets, not being depreciated	<u>2,887,456</u>	<u>1,975,366</u>	<u>(1,596,847)</u>	<u>3,265,975</u>
Capital assets, being depreciated				
Buildings and improvements	19,062,907	-	-	19,062,907
Infrastructure	26,743,407	1,603,336	-	28,346,743
Machinery and equipment	<u>4,825,840</u>	<u>191,462</u>	<u>-</u>	<u>5,017,302</u>
Total capital assets, being depreciated	<u>50,632,154</u>	<u>1,794,798</u>	<u>-</u>	<u>52,426,952</u>
Less accumulated depreciation for				
Buildings and improvements	(9,198,416)	(486,517)	-	(9,684,933)
Infrastructure	(18,044,995)	(747,364)	-	(18,792,359)
Machinery and equipment	<u>(4,039,230)</u>	<u>(318,002)</u>	<u>-</u>	<u>(4,357,232)</u>
Total accumulated depreciation	<u>(31,282,641)</u>	<u>(1,551,883)</u>	<u>-</u>	<u>(32,834,524)</u>
Total capital assets, being depreciated, net	<u>19,349,513</u>	<u>242,915</u>	<u>-</u>	<u>19,592,428</u>
Governmental activities capital assets, net	<u>\$ 22,236,969</u>	<u>\$ 2,218,281</u>	<u>\$ (1,596,847)</u>	<u>\$ 22,858,403</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,068,039	\$ -	\$ -	\$ 1,068,039
Construction in progress	<u>1,667,702</u>	<u>66,834</u>	<u>(23,425)</u>	<u>1,711,111</u>
Total capital assets, not being depreciated	<u>2,735,741</u>	<u>66,834</u>	<u>(23,425)</u>	<u>2,779,150</u>
Capital assets, being depreciated				
Building	6,531,643	-	-	6,531,643
Improvements other than buildings	26,447,535	23,425	-	26,470,960
Machinery and equipment	<u>5,113,566</u>	<u>-</u>	<u>-</u>	<u>5,113,566</u>
Total capital assets, being depreciated	<u>38,092,744</u>	<u>23,425</u>	<u>-</u>	<u>38,116,169</u>
Less: accumulated depreciation	<u>(23,696,100)</u>	<u>(904,069)</u>	<u>-</u>	<u>(24,600,169)</u>
Total capital assets, being depreciated, net	<u>14,396,644</u>	<u>(880,644)</u>	<u>-</u>	<u>13,516,000</u>
Business-type activities capital assets, net	<u>\$ 17,132,385</u>	<u>\$ (813,810)</u>	<u>\$ (23,425)</u>	<u>\$ 16,295,150</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 6 – Capital Assets (Continued)

Depreciation and amortization expense were charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$	667,879
Public Works		22,119
Community Development		350,873
Claremont		227,962
Public Safety		283,050
	\$	<u>1,551,883</u>

Business-Type Functions:

Water	\$	667,405
Sewer		188,486
Natural Gas		44,411
Sanitation		3,767
	\$	<u>904,069</u>

Note 7 – Long-Term Debt

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

In governmental 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 transactions are summarized below and discussed in detail thereafter:

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<u>Governmental Activity Long Term Debt</u>					
Airport Bonds and Notes Payable					
1994 Airport Revenue Bonds	165,000	-	50,000	115,000	55,000
Airport Hangar Note	116,905	-	44,440	72,465	46,331
Coalinga Public Finance Authority Bonds					
1998 Series A Bonds	5,545,000	-	775,000	4,770,000	820,000
1998 Series B Bonds	115,000	-	25,000	90,000	35,000
1998 Series C Bonds	375,000	-	100,000	275,000	100,000
2000 Tax Allocation Bonds	3,334,942	-	15,000	3,319,942	15,000
2012 Water and Sewer Revenue Bonds	12,830,000	-	-	12,830,000	-
Special Assessment Bonds					
Improvement District 91-1 Series A	350,000	-	55,000	295,000	65,000
Improvement District 91-1 Series B	56,000	-	11,000	45,000	11,000
Improvement District 91-2	110,000	-	15,000	95,000	20,000
Improvement District 92-1	355,000	-	40,000	315,000	45,000
Lease Payable					
Fire Truck Capital Lease	241,744	-	35,193	206,551	37,090
Total Governmental Activity Debt	<u>\$ 23,594,591</u>	<u>\$ -</u>	<u>\$ 1,165,633</u>	<u>\$ 22,428,958</u>	<u>\$ 1,249,421</u>
<u>Business-Type Activity Long Term Debt</u>					
Bonds Payable					
1993 Series B Water Revenue Bonds	\$ 1,045,000	\$ -	\$ 185,000	\$ 860,000	\$ 195,000
1994 Water Revenue Bonds	195,000	-	60,000	135,000	65,000
2012 Water Revenue Bond	9,740,000	-	-	9,740,000	-
2012 Sewer Revenue Bond	3,090,000	-	-	3,090,000	-
Total Business-Type Activity Debt	<u>\$ 14,070,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 13,825,000</u>	<u>\$ 260,000</u>
<u>Compensated Absences</u>					
Government Activities	\$ 432,336	\$ -	\$ 13,960	\$ 418,376	
Business-Type Activities	\$ 143,553	\$ -	\$ 5,089	\$ 138,464	

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2013 was comprised of the following individual issues:

Bonds and Notes Payable

1994 Airport Revenue Bonds - Bonds payable to Coalinga Public Financing Authority in varying semi-annual installments including interest at 7 percent, collateralized by the full faith and credit of the Coalinga Airport revenues primarily and the General Fund revenues secondarily. This note is for the General Fund required match to construct a new airport runway for the City.

Airport Hangar Note - In 1998, the City received a loan from the State of California to construct 16 Box Hangars at the Coalinga Municipal Airport. Interest accrues at a rate of 5.08 percent and is payable annually with principal. The loan term is for a period of 17 years.

Coalinga Public Financing Authority Bonds - The CPFA was established in 1991 through a Joint Exercise of Powers Agreement between the City, the Agency, and the Coalinga-Huron Unified School District. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the CPFA.

The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of acquiring, constructing, or improving and equipping capital improvements (projects) for the City, the Agency, the Coalinga-Huron Unified School District, the Coalinga Hospital District, the West Hills Community College District, and other external agencies. The City set up the CPFA to act as a financing/lending type institution only.

Based on the financing/lending institution perception, financial reporting for the CPFA is through a conservative revenue/expenditure flow approach. The revenue/expenditure stream shows the true details of each financing agreement in addition to the initial Marks-Roos Bond Pool issue for the CPFA.

The CPFA shows revenues from the various financing agreements (i.e., payments of principal and interest) and expenditures for its own debt service. In addition, the CPFA balance sheet reflects bonds receivable which is offset by a corresponding amount in deferred revenue.

CPFA bonds outstanding at June 30, 2013 are as follows:

1998 Series A Bonds - In December 1998, the CPFA issued the 1998 Series A Bonds in the amount of \$12,970,000. The 1998 Series A principal payments are made each September 15 beginning in 1999 through 2021. Interest is to be paid semi-annually on March 15 and September 15 through 2021. The interest rates range from 5.5 to 6.375 percent.

1998 Series B Bonds - In December 1998, the CPFA issued the 1998 Series B Bonds in the amount of \$1,830,000. The 1998 Series B principal payments are made each September 15 beginning 1999 through 2016. Interest is to be paid semi-annually on March 15 and September 15 through 2014. The interest rates range from 4.6 to 5 percent.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

1998 Series C Bonds - In December 1998, the CPFA issued the 1998 Series C Bonds in the amount of \$6,140,000. The 1998 Series C principal payments are made each September 15 beginning in 1999 through 2021. Interest is to be paid semi-annually on March 15 and September 15 through 2022. The interest rates range from 5.5 to 6 percent.

2000 Tax Allocation Bonds – In 2000 the CPFA issued bonds in the amount of \$3,404,942 to be used for RDA activities. The principal payments are made each September and interest is paid semi-annually in September and March through 2018. The interest rates range from 5.2 to 5.85 percent.

2012 Water and Sewer Revenue Bonds - In April 2012, the CPFA issued revenue bonds in the amount of \$12,830,000, \$9,740,000 and \$3,090,000 respectively. The funds were used for the purpose of refinancing the 2000 Series A Bonds and acquisition, construction and improvement of certain water and sewer facilities. The principal payments are made each April 1 beginning in 2018 through 2048. Interest is to be paid annually on April 1 through 2048. The interest rates range from 3.1 to 5.0 percent.

Special Assessment Bonds - 1915 Act Bonds have been issued in various denominations and are secured in total by all of the unpaid assessments. The bonds are issued in series with each installment of principal and interest on the unpaid assessments corresponding in aggregate to the amounts of principal and interest of bonds maturing. The installments are collected on the regular tax rolls.

The bonds are secured by liens upon every lot which benefits from improvements and for which assessments are outstanding. Bond principal payments are made annually, and interest is paid twice a year. The City has a contingent liability for nonpayment of bond principal and interest by property owners.

The Special Assessments Bonds of the City consist of the following Assessment Districts:

The Improvement District 91-1 Series A bonds reflect a 9.3 percent interest rate through 2016.	\$ 295,000
The Improvement District 91-1 Series B bonds reflect a 9.3 percent interest rate through 2016.	45,000
The Improvement District 91-2 bonds reflect a 9.5 percent interest rate through 2016.	95,000
The Improvement District 92-1 bonds reflect a 7.75 percent interest rate through 2018.	<u>315,000</u>
Total Special Assessment Bonds	<u>\$ 750,000</u>

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

Fire Truck Capital Lease - In 2009, the City entered into a “Lease with Option to Purchase Agreement” with Kansas State Bank of Manhattan for the purchase of a new fire truck. The lease bears an interest rate of 5.125% and terminates on February 15, 2018.

1993 Series B Water Revenue Bonds - In 1991, the Sewer and Water Enterprise Funds issued debt instruments purchased by the CPFA for the purpose of financing the expansion of the Waste Water Treatment Plant and the expansion of the Water Treatment Plant, respectively. In addition, the Water Enterprise Fund issued debt instruments in September, 1994 which were purchased by the CPFA for the purpose of financing the installation of water meters throughout the City and provide funds for a voluntary debt service payment to the USBR.

The CPFA was established in 1991 through a Joint Exercise of Powers Agreement between the City, the Coalinga Redevelopment Agency, and the Coalinga-Huron Unified School District. The purpose of the CPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City and other external agencies. The City set up the CPFA to act as a financing/lending type institution only. These debt agreements provide for the Sewer and Water Enterprise Funds to make lease payments to the CPFA. Additionally, the CPFA has a leasehold interest in the Waste Water Treatment Plant and the Water Treatment Plant.

Under the 1991 Water Enterprise debt agreement with the CPFA, principal payments are due each September in increasing amounts through 2016. The interest rates are 6.625 percent and are due semi-annually each March and September.

1994 Water Revenue Bonds - Under the 1994 Water Enterprise debt agreement with the CPFA for the financing of a voluntary payment to the USBR, principal payments are due each September 15 in increasing amounts through 2014. The interest rates are 7.25 percent and are due semi-annually each March and September.

2012 Water and Sewer Revenue Bonds - In April 2012, the Water and Sewer Enterprises issued revenue bonds payable to the CPFA in the amount of \$9,740,000 and \$3,090,000 respectively. The funds were used for the purpose of refinancing the 2000 Series A Bonds and acquisition, construction and improvement of certain water and sewer facilities. The principal payments are made each April 1 beginning in 2018 through 2048. Interest is to be paid annually on April 1 through 2048. The interest rates range from 3.1 to 5.0 percent.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 7 – Long-Term Debt (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2013 were as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	1,249,421	1,155,331	260,000	677,610
2015	1,300,223	1,076,608	280,000	659,301
2016	796,196	992,293	220,000	642,519
2017	762,417	942,429	235,000	627,447
2018	700,759	901,990	205,000	619,663
2019-2023	3,560,000	3,954,313	1,125,000	2,990,263
2024-2028	3,597,476	4,051,703	1,385,000	2,738,063
2029-2033	2,062,466	4,070,784	1,715,000	2,363,250
2034-2038	2,155,000	1,895,000	2,155,000	1,895,000
2039-2043	2,740,000	1,301,000	2,740,000	1,301,000
2044-2048	3,505,000	542,750	3,505,000	542,750
	<u>\$22,428,958</u>	<u>\$20,884,201</u>	<u>\$13,825,000</u>	<u>\$15,056,866</u>

Note 8 – Risk Management

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a public entity risk pool in which there is a transferring (sharing) of risk among the pool participants. The City pays an annual premium to PARSAC for its general liability coverage. PARSAC is self-sustaining through member premiums. The City is insured under a retrospectively rated policy in which the initial premium is adjusted based on actual experience during the period of coverage. The City is responsible for all claims up to \$25,000 per occurrence for general and auto liability with a coverage limit at June 30, 2013 of \$975,000.

The City's risk management program also includes fire, property and automobile insurance. The coverage includes an all risk-replacement cost blanket. Additionally, the City has property insurance coverage up to \$975,000 per occurrence.

The City provides worker's compensation and employer's liability coverage on all employees through PARSAC. This insurance is paid entirely by the City. All premiums are paid by the appropriate fund designated for each employee's salary and benefits. In the risk management program for the City, a pro-active approach is taken toward work safety for employees. Various training sessions and inspections are conducted throughout the year. The result has been continued reduction of work related injury claims.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 9 - Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs 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 10 - Other Employee Benefits

The City offers medical, dental, vision, chiropractic and prescription insurance coverage, as well as group life insurance coverage, to employees and their dependents. Additionally, the City offers an employee assistance program to assist employees and their families with problem assessment and short-term counseling needs. The City pays a portion of premiums in connection with the insurance coverage offered by the City.

City Employee Post Retirement Benefits

In accordance with federal requirements, the City provides its retirees the opportunity to continue enrollment in the City's health insurance program. Premium charges paid by retirees are intended to cover the full cost of benefits provided without cost to the City. For the year ended June 30, 2013, no retirees were enrolled in the health insurance program.

City Employee Retirement Plan (Defined Contribution Pension Plan)

On February 1, 1994, the City converted all previously covered California Public Employees Retirement System (CALPERS) employees to the International City Management Association Retirement Corporation (ICMA) money purchase plan (401A). Prior to this date, only the City Manager and certain department managers were covered under the 401A retirement plans.

The 401A retirement plan is a defined contribution plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The 401A retirement plan allows the City flexibility in providing a retirement benefit to the various bargaining units. As a result, the City has established six separate 401A retirement plans through ICMA. The plans include: General Employees 401A, Police Employees 401A, Fire Employees 401A, and a combined plan for Management 401A. Under each retirement plan, all full time regular employees must participate in the pension plan from the date they are hired.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 10 - Other Employee Benefits (Continued)

City Employee Retirement Plan (Defined Contribution Pension Plan) (Continued)

The General Employees 401A retirement plan provides for 7% employee and 7% employer contributions based on each employee's gross earnings. Both contributions are paid entirely by the City. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions if vesting requirements are satisfied. The General Employee's 401A retirement plan includes immediate vesting of all employee contributions and a progressive vesting schedule on the employer contributions of 30%, 60%, and 100% after 3, 4, and 5 years of service, respectively.

The Police Employees 401A retirement plan provides for 7% employee and 7% employer contributions based on the employee's gross earnings. Both contributions are paid entirely by the City. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions if vesting requirements are satisfied. The Police Employee's 401A retirement plan includes immediate vesting of all employee contributions and a progressive vesting schedule on the employer contributions of 30%, 60%, and 100% after 3, 4, and 5 years of service respectively.

The Fire Employees 401A retirement plan provides for a 14% employer contribution based on the employee's gross earnings. An employee who leaves the employment of the City is entitled to the City's contributions if vesting requirements are satisfied. The Fire Employee's 401A retirement plan includes a progressive vesting schedule on the City's contributions of 30%, 60%, and 100% after 3, 4, and 5 years of service respectively.

During the current year, the City contributed \$297,055 (7% of the participant's payroll) in employer contributions into the 401A retirement plans through ICMA. During 2013 the employee contributions totaled \$144,895 (7% of the participant's payroll) to the ICMA plans. As of January 1, 2013 all employees other than two management employees are now covered by the California Public Employees' Retirement System.

The ICMA held no securities of the City or other related parties during the year or as of the close of the fiscal year.

Note 11 – Pension Plan

Plan Description – The City began contributing to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan, during the fiscal year ended June 30, 2013. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Active plan members in the Plan are required to contribute 7% of their covered salary for both miscellaneous and public safety members. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2013 was 8.052% for the miscellaneous plan and 13.347% for the safety plan. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

CITY OF COALINGA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Note 11 – Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$207,111 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the contract initiation effective for the fiscal year ending June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through August 27, 2013, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in such financial statements.

Note 13 – Deficit Net Position Balance

The General Fund, Transit Fund and Development Impact Fees Fund have deficit net position balances as of June 30, 2013 of \$1,963,493, \$9,435 and \$134,416, respectively. The deficits are expected to be relieved from future revenues or transfers from the Capital Projects Fund.

Note 14 – Fund Balance Restatement

Restatement Due to Adoption of Accounting Standard

Effective July 1, 2012 the previously reported General Fund fund balance of \$2,108,469 at June 30, 2012 is being restated and decreased by \$2,501,782 at July 1, 2012 as a result of implementing GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". According to the new definition for special revenue funds, the Claremont General Operations and Habitat Conservation funds previously reported as special revenue funds were combined with the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COALINGA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 3,346,833	\$ 3,346,833	\$ 3,925,783	\$ 578,950
Licenses and permits	45,605	45,605	51,960	6,355
Intergovernmental	114,200	114,200	84,319	(29,881)
Charges for services	2,118,765	2,118,765	1,721,503	(397,262)
Fines and forfeitures	25,500	25,500	147,033	121,533
Interest and rents	62,605	62,605	61,534	(1,071)
Other	700,300	700,300	120,484	(579,816)
Total revenue	<u>6,413,808</u>	<u>6,413,808</u>	<u>6,112,616</u>	<u>(301,192)</u>
Expenditures				
Current				
General government	1,433,399	1,433,399	935,043	498,356
Public works	723,800	723,800	696,526	27,274
Community development	219,642	219,642	230,844	(11,202)
Claremont	-	-	244,757	(244,757)
Public safety	6,143,032	6,143,032	6,039,502	103,530
Capital outlay	-	-	13,172	(13,172)
Debt service				
Principal	129,633	129,633	129,633	-
Interest and fiscal charges	29,110	29,110	29,110	-
Total expenditures	<u>8,678,616</u>	<u>8,678,616</u>	<u>8,318,587</u>	<u>360,029</u>
Revenue over (under) expenditures	(2,264,808)	(2,264,808)	(2,205,971)	58,837
Other Financing Sources				
Transfers in (out) - net	<u>635,791</u>	<u>635,791</u>	<u>635,791</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (1,629,017)</u>	<u>\$ (1,629,017)</u>	<u>(1,570,180)</u>	<u>\$ 58,837</u>
Fund Balance				
Beginning of year, (Restated) Note 14			<u>(393,313)</u>	
End of year			<u>\$ (1,963,493)</u>	

CITY OF COALINGA

BUDGETARY COMPARISON SCHEDULE COALINGA PUBLIC FINANCING AUTHORITY FUND YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue				
Interest	\$ -	\$ -	\$ 62,333	\$ 62,333
Loan payments	2,042,985	2,042,985	2,062,810	19,825
Total revenue	<u>2,042,985</u>	<u>2,042,985</u>	<u>2,125,143</u>	<u>82,158</u>
Expenditures				
Debt Service				
Principal	1,270,000	1,270,000	915,000	355,000
Interest and fiscal charges	799,583	799,583	1,102,330	(302,747)
Total expenditures	<u>2,069,583</u>	<u>2,069,583</u>	<u>2,017,330</u>	<u>52,253</u>
Revenue over expenditures	(26,598)	(26,598)	107,813	134,411
Other Financing Sources/(Uses)				
Transfers in/(out) - net	-	-	-	-
Change in Fund Balance	<u>\$ (26,598)</u>	<u>\$ (26,598)</u>	107,813	<u>\$ 134,411</u>
Fund Balance				
Beginning of year			<u>1,743,158</u>	
End of year			<u>\$ 1,850,971</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF COALINGA

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

	Special Revenue Funds					
	Gax Tax	Measure C	Local Transportation	Proposition 1B	Transit	Low-Moderate Housing Asset
ASSETS						
Cash and investments	\$ 787,284	\$ 1,337,229	\$ 593,114	\$ 155,543	\$ -	\$ 4,845
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	38,705	28,026	4,913	-	124,282	-
Due from other funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	1,886,410
Total assets	\$ 825,989	\$ 1,365,255	\$ 598,027	\$ 155,543	\$ 124,282	\$ 1,891,255
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued expense	\$ 27,657	\$ 36,613	\$ 30,498	\$ -	\$ 10,056	\$ 615
Deposits and claims payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	123,661	-
Deferred revenue	-	-	-	-	-	1,886,410
Total liabilities	27,657	36,613	30,498	-	133,717	1,887,025
Fund Balance						
Restricted						
Debt service	-	-	-	-	-	-
Capital improvement projects	-	-	-	-	-	-
Circulation improvements	798,332	1,328,642	567,529	155,543	-	-
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Low-income housing activities	-	-	-	-	-	4,230
Unassigned	-	-	-	-	(9,435)	-
Total fund balance	798,332	1,328,642	567,529	155,543	(9,435)	4,230
Total liabilities and fund balance	\$ 825,989	\$ 1,365,255	\$ 598,027	\$ 155,543	\$ 124,282	\$ 1,891,255

CITY OF COALINGA

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2013**

	Special Revenue Funds				Capital Projects Funds			Debt Service Fund		Total Non-major Governmental Funds
	COPS Grants	EDA Building Rentals	EDA Revolving Loans	EDA	Community Development	Development Impact Fees	Special Assessments	Debt Service		
ASSETS										
Cash and investments	\$ 29,741	\$ 121,153	\$ 428,765	\$ -	\$ -	\$ 243,584	\$ 302,810	\$ -	\$ 4,004,068	
Accounts receivable, net	-	6,121	-	399,461	-	-	-	-	405,582	
Due from other governments	-	-	-	-	-	-	1,564	-	197,490	
Due from other funds	-	-	-	2,712,126	-	-	-	-	2,712,126	
Notes receivable	-	-	-	-	-	-	-	-	1,886,410	
Total assets	\$ 29,741	\$ 127,274	\$ 428,765	\$ 3,111,587	\$ 243,584	\$ 304,374	\$ -	\$ -	\$ 9,205,676	
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable and accrued expense	\$ -	\$ 789	\$ -	\$ 12,440	\$ -	\$ -	\$ 81	\$ -	\$ 118,749	
Deposits and claims payable	-	18,350	-	-	-	-	-	-	18,350	
Due to other funds	-	-	-	-	-	378,000	-	-	501,661	
Deferred revenue	-	-	-	-	-	-	-	-	1,886,410	
Total liabilities	-	19,139	-	12,440	378,000	81	-	-	2,525,170	
Fund Balance										
Restricted										
Debt service	-	-	-	-	-	-	304,293	-	304,293	
Capital improvement projects	-	-	-	3,099,147	-	-	-	-	3,099,147	
Circulation improvements	-	-	-	-	-	-	-	-	2,850,046	
Public safety	29,741	-	-	-	-	-	-	-	29,741	
Economic development	-	108,135	428,765	-	-	-	-	-	536,900	
Low-income housing activities	-	-	-	-	-	-	-	-	4,230	
Unassigned	-	-	-	-	(134,416)	-	-	-	(143,851)	
Total fund balance	29,741	108,135	428,765	3,099,147	(134,416)	304,293	-	-	6,680,506	
Total liabilities and fund balance	\$ 29,741	\$ 127,274	\$ 428,765	\$ 3,111,587	\$ 243,584	\$ 304,374	\$ -	\$ -	\$ 9,205,676	

CITY OF COALINGA

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

	Special Revenue Funds					
	Gas Tax	Measure C	Local Transportation	Proposition 1B	Transit	Low-Moderate Housing Asset
Revenue						
Intergovernmental	\$ 426,852	\$ 390,351	\$ 392,195	\$ 161,901	\$ 243,299	\$ -
Charges for services	-	-	-	-	29,795	-
Rental	-	-	-	-	-	-
Interest	2,349	3,989	1,770	-	-	14
Other	-	-	-	-	-	12,391
Total revenue	429,201	394,340	393,965	161,901	273,094	12,405
Expenditures						
Public works	307,207	317,184	2,857	6,358	265,528	-
Community development	-	-	-	-	-	8,175
Claremont	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Capital outlay	25,092	32,597	1,107,806	-	-	-
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	332,299	349,781	1,110,663	6,358	265,528	8,175
Revenue over (under) expenditures	96,902	44,559	(716,698)	155,543	7,566	4,230
Other financing sources/(uses)						
Redemption of special assessment debt	-	-	-	-	-	-
Operating transfers in/(out) - net	-	-	-	-	-	-
Change in Fund Balance	96,902	44,559	(716,698)	155,543	7,566	4,230
Fund Balance						
Beginning of year	701,430	1,284,083	1,284,227	-	(17,001)	-
End of year	798,332	1,328,642	567,529	155,543	(9,435)	4,230

CITY OF COALINGA

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

	Special Revenue Funds			Capital Projects Funds			Debt Service Fund		Total
	COPS Grants	EDA		Community Development	Development Impact Fees	Special Assessments Debt Service	Non-major Governmental Funds		
		Building Rentals	Revolving Loans					EDA	
Revenue									
Intergovernmental	\$ 100,000	\$ -	\$ -	\$ 985,115	\$ -	\$ -	\$ -	\$ -	\$ 2,699,713
Charges for services	-	-	-	-	-	-	-	-	29,795
Rental	-	59,966	-	-	-	-	-	-	59,966
Interest	113	931	-	-	862	-	1,302	-	11,330
Other	-	-	-	-	-	-	-	-	12,391
Total revenue	100,113	60,897	-	985,115	862	-	1,302	-	2,813,195
Expenditures									
Public works	-	-	-	-	-	-	-	-	899,134
Community development	-	38,927	-	107,314	-	-	-	-	154,416
Claremont	-	-	-	-	-	-	-	-	-
Public safety	25,720	-	-	-	-	-	-	-	25,720
Capital outlay	92,850	-	-	896,783	5,018	-	-	-	2,160,146
Debt service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	121,000	-	121,000
Interest and fiscal charges	-	-	-	-	-	-	76,676	-	76,676
Total expenditures	118,570	38,927	-	1,004,097	5,018	-	197,676	-	3,437,092
Revenue over (under) expenditures	(18,457)	21,970	-	(18,982)	(4,156)	-	(196,374)	-	(623,897)
Other financing sources/(uses)									
Redemption of special assessment debt	-	-	-	-	-	-	205,264	-	205,264
Operating transfers in/(out) - net	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	205,264	-	205,264
Change in Fund Balance	(18,457)	21,970	-	(18,982)	(4,156)	-	8,890	-	(418,633)
Fund Balance									
Beginning of year	48,198	86,165	428,765	3,118,129	(130,260)	-	295,403	-	7,099,139
End of year	\$ 29,741	\$ 108,135	\$ 428,765	\$ 3,099,147	\$ (134,416)	\$ -	\$ 304,293	\$ -	\$ 6,680,506

**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 Coalinga, 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 Coalinga, California, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated May 5, 2014.

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

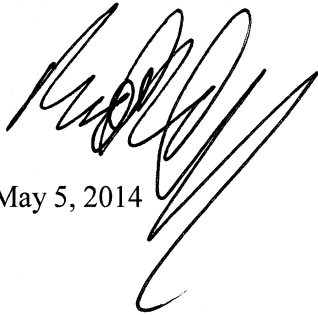
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, consisting of several overlapping loops and strokes, positioned above the date.

May 5, 2014