

**CITY OF COALINGA**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalinga, California, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

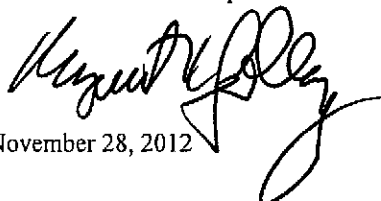
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements. The Budgetary Comparison Information on pages 38 and 39 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 supplemental information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 28, 2012

# CITY OF COALINGA

## STATEMENT OF NET ASSETS JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,910,851	\$ 4,059,275	\$ 9,970,126
Cash and investments with fiscal agent	2,347,702	6,923,170	9,270,872
Accounts receivable, net	440,666	813,724	1,254,390
Due from other governments	318,139	-	318,139
Internal balances	(212,825)	212,825	-
Notes receivable	1,983,069	-	1,983,069
Bonds receivable	14,070,000	-	14,070,000
Deferred charges - Bond issuance costs, net	(91,952)	797,049	705,097
Capital assets, net of allowance for depreciation	22,236,969	17,132,385	39,369,354
Total assets	<u>47,002,619</u>	<u>29,938,428</u>	<u>76,941,047</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	309,345	410,119	719,464
Accrued interest payable	166,310	174,489	340,799
Deposits and claims payable	46,204	32,400	78,604
Long-term liabilities			
Due within one year	1,235,633	245,000	1,480,633
Due in more than one year	22,358,958	13,825,000	36,183,958
Compensated absences	432,336	143,553	575,889
Total liabilities	<u>24,548,786</u>	<u>14,830,561</u>	<u>39,379,347</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,343,378	9,274,382	21,617,760
Restricted for debt service	2,038,561	1,211,232	3,249,793
Restricted for capital improvements	3,118,129	5,711,938	8,830,067
Restricted for specific projects and programs	3,952,750	-	3,952,750
Unrestricted	1,001,015	(1,089,685)	(88,670)
Total net assets/(deficit)	<u>\$ 22,453,833</u>	<u>\$ 15,107,867</u>	<u>\$ 37,561,700</u>

**CITY OF COALINGA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Assets		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 2,569,418	\$ 90,917	\$ 306,504	\$ -	\$ (2,171,997)	\$ -	\$ (2,171,997)
Public works	1,550,228	-	1,154,337	-	(395,891)	-	(395,891)
Community development	2,300,529	256,083	-	430,840	(1,613,606)	-	(1,613,606)
Claremont	1,786,008	124,050	-	-	(1,661,958)	-	(1,661,958)
Public safety	5,868,788	1,889,048	131,076	-	(3,848,664)	-	(3,848,664)
Debt Service							
Interest and fiscal charges	1,187,183	1,252,795	-	-	65,612	-	65,612
Total governmental activities	15,262,154	3,612,893	1,591,917	430,840	(9,626,504)	-	(9,626,504)
Business-type activities							
Water	4,238,284	3,664,260	-	13,349	-	(560,675)	(560,675)
Sewer	807,183	1,000,492	-	-	-	193,309	193,309
Natural Gas	1,627,132	1,865,461	-	-	-	238,329	238,329
Sanitation	1,734,007	1,733,097	5,144	-	-	4,234	4,234
Utility Billing	555,878	139,687	-	-	-	(416,191)	(416,191)
Total business-type activities	8,962,484	8,402,997	5,144	13,349	-	(540,994)	(540,994)
<b>Total primary government</b>	<b>\$ 24,224,638</b>	<b>\$ 12,015,890</b>	<b>\$ 1,597,061</b>	<b>\$ 444,189</b>	<b>(9,626,504)</b>	<b>(540,994)</b>	<b>(10,167,498)</b>
<b>General Revenue</b>							
Property taxes					3,272,168	-	3,272,168
Special assessments					220,750	-	220,750
Sales taxes					936,375	-	936,375
Franchise and other taxes					365,892	-	365,892
Business licenses					96,502	-	96,502
Rents					113,748	11,350	125,098
Interest income					87,717	14,985	102,702
Other					232,649	-	232,649
Transfers					(12,776)	12,776	-
Total general revenue and transfers					5,313,025	39,111	5,352,136
<b>Extraordinary Gain</b>					5,784,683	-	5,784,683
<b>Change in Net Assets</b>					1,471,204	(501,883)	969,321
<b>Net Assets</b>							
Beginning of year					20,982,629	18,272,884	39,255,513
Prior period adjustment					-	(2,663,134)	(2,663,134)
End of year					\$ 22,453,833	\$ 15,107,867	\$ 37,561,700

See accompanying notes.

# CITY OF COALINGA

## BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2012

	General	Coalinga Public Financing Authority	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 228,875	\$ 5,681,976	\$ 5,910,851
Cash and investments with fiscal agent	833,419	1,514,283	-	2,347,702
Accounts receivable, net	358,410	-	82,256	440,666
Due from other governments	146,132	-	172,007	318,139
Due from other funds	1,050,301	-	1,795,463	2,845,764
Notes receivable	-	-	1,983,069	1,983,069
Bonds receivable	-	22,799,942	-	22,799,942
Total assets	<u>\$ 2,388,262</u>	<u>\$ 24,543,100</u>	<u>\$ 9,714,771</u>	<u>\$ 36,646,133</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued expense	\$ 258,446	\$ -	\$ 50,899	\$ 309,345
Deposits and claims payable	21,347	-	24,857	46,204
Due to other funds	-	-	3,058,589	3,058,589
Deferred revenue	-	22,799,942	1,983,069	24,783,011
Total liabilities	<u>279,793</u>	<u>22,799,942</u>	<u>5,117,414</u>	<u>28,197,149</u>
<b>Fund Balance</b>				
<b>Restricted</b>				
Debt service	-	1,743,158	295,403	2,038,561
Capital improvement projects	-	-	3,118,129	3,118,129
Circulation improvements	-	-	3,269,740	3,269,740
Public safety	-	-	48,198	48,198
Environmental conservation	-	-	119,882	119,882
Economic development	-	-	514,930	514,930
Unassigned	2,108,469	-	(2,768,925)	(660,456)
Total fund balance	<u>2,108,469</u>	<u>1,743,158</u>	<u>4,597,357</u>	<u>8,448,984</u>
Total liabilities and fund balance	<u>\$ 2,388,262</u>	<u>\$ 24,543,100</u>	<u>\$ 9,714,771</u>	<u>\$ 36,646,133</u>

# CITY OF COALINGA

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2012

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Total governmental fund balance \$ 8,448,984

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds 22,236,969

Deferred revenue balances relating to certain receivables are not reported  
as liabilities in the Statement of Net Assets since revenue recognition  
is not based upon measurable and available criteria 16,053,069

Governmental long-term liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds (23,594,591)

Compensated absences are not due and payable in the current  
period and therefore are not reported in the funds (432,336)

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 (166,310)

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 (91,952)

Net assets of governmental activities \$ 22,453,833

# CITY OF COALINGA

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2012

	General	Coalinga Public Financing Authority	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Taxes	\$ 3,615,048	\$ -	\$ 1,055,889	\$ 4,670,937
Licenses, permits and impact fees	49,399	-	-	49,399
Intergovernmental	104,070	-	1,918,687	2,022,757
Charges for services	2,130,906	-	159,268	2,290,174
Fines and forfeitures	20,526	-	-	20,526
Rental	58,234	-	55,514	113,748
Interest	8,241	62,083	17,393	87,717
Loan payments	-	6,476,940	-	6,476,940
Other	221,260	-	11,389	232,649
Total revenue	<u>6,207,683</u>	<u>6,539,023</u>	<u>3,218,140</u>	<u>15,964,846</u>
<b>Expenditures</b>				
Current				
General government	1,204,813	-	-	1,204,813
Public works	683,600	-	842,242	1,525,842
Community development	212,294	-	695,332	907,626
Claremont	-	-	1,543,322	1,543,322
Public safety	5,504,522	-	90,603	5,595,125
Capital outlay	5,184	-	738,975	744,159
Debt Service				
Principal	171,400	5,729,486	880,000	6,780,886
Interest and fiscal charges	44,481	684,684	497,275	1,226,440
Total expenditures	<u>7,826,294</u>	<u>6,414,170</u>	<u>5,287,749</u>	<u>19,528,213</u>
Revenue over/(under) expenditure:	(1,618,611)	124,853	(2,069,609)	(3,563,367)
<b>Other Financing Sources/(Uses)</b>				
Redemption of special assessment debt	-	-	220,750	220,750
Transfers in/(out) - net	1,178,188	(648,567)	(542,397)	(12,776)
	<u>1,178,188</u>	<u>(648,567)</u>	<u>(321,647)</u>	<u>207,974</u>
<b>Extraordinary Loss</b>	<u>-</u>	<u>-</u>	<u>(6,478,816)</u>	<u>(6,478,816)</u>
<b>Change in Fund Balance</b>	(440,423)	(523,714)	(8,870,072)	(9,834,209)
<b>Fund Balance</b>				
Beginning of year	2,548,892	2,266,872	13,467,429	18,283,193
End of year	<u>\$ 2,108,469</u>	<u>\$ 1,743,158</u>	<u>\$ 4,597,357</u>	<u>\$ 8,448,984</u>

See accompanying notes.

# 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 ASSETS YEAR ENDED JUNE 30, 2012

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Net change in fund balance - total governmental funds	\$ (9,834,209)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Difference between reported extraordinary loss on the governmental financial statements and the extraordinary gain reported on the government-wide financial statements	12,263,499
Difference between capital assets transferred to the Successor Agency and the book value of the assets	(1,065,164)
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	(1,907,130)
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	(634,480)
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Assets the cost of those assets are capitalized as an asset and depreciated over the period of service	744,159
Repayment of long-term receivables are revenue in governmental funds, but the receipt reduces long-term receivables in the Statement of Net Assets	(5,224,145)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	6,780,886
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	308,531
In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due	39,257
Change in net assets of governmental activities	<u>\$ 1,471,204</u>

**CITY OF COALINGA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds						Total
	Water	Sewer	Natural Gas	Sanitation	Utility Billing	Proprietary Funds	
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ 220,926	\$ 1,534,234	\$ 2,196,380	\$ -	\$ 107,735	\$ -	\$ 4,059,275
Cash and investments with fiscal agent	6,020,705	902,465	-	-	-	-	6,923,170
Accounts receivable, net	422,062	116,961	61,976	203,767	8,958	-	813,724
Due from other funds	-	793,281	378,000	-	-	-	1,171,281
Total current assets	<u>6,663,693</u>	<u>3,346,941</u>	<u>2,636,356</u>	<u>203,767</u>	<u>116,693</u>	<u>-</u>	<u>12,967,450</u>
<b>Non-current assets</b>							
Property, plant and equipment, net of allowance for depreciation	9,919,102	6,525,945	566,278	121,060	-	-	17,132,385
Deferred charges - Bond issuance costs, net	605,757	191,292	-	-	-	-	797,049
Total assets	<u>\$ 17,188,552</u>	<u>\$ 10,064,178</u>	<u>\$ 3,202,634</u>	<u>\$ 324,827</u>	<u>\$ 116,693</u>	<u>\$ -</u>	<u>\$ 30,896,884</u>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued expense	\$ 166,399	\$ 23,540	\$ 55,216	\$ 137,363	\$ 27,601	\$ -	\$ 410,119
Accrued interest payable	138,317	36,172	-	-	-	-	174,489
Deposits	32,400	-	-	-	-	-	32,400
Due to other funds	793,281	-	-	165,175	-	-	958,456
Current portion of long-term debt	245,000	-	-	-	-	-	245,000
Total current liabilities	<u>1,375,397</u>	<u>59,712</u>	<u>55,216</u>	<u>302,538</u>	<u>27,601</u>	<u>-</u>	<u>1,820,464</u>
<b>Non-current liabilities</b>							
Long-term debt	10,735,000	3,090,000	-	-	-	-	13,825,000
Compensated absences	58,412	20,015	26,485	1,954	36,687	-	143,553
Total noncurrent liabilities	<u>10,793,412</u>	<u>3,110,015</u>	<u>26,485</u>	<u>1,954</u>	<u>36,687</u>	<u>-</u>	<u>13,968,553</u>
Total liabilities	<u>12,168,809</u>	<u>3,169,727</u>	<u>81,701</u>	<u>304,492</u>	<u>64,288</u>	<u>-</u>	<u>15,789,017</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	4,959,807	3,627,237	566,278	121,060	-	-	9,274,382
Restricted for debt service	1,008,782	202,450	-	-	-	-	1,211,232
Restricted for capital improvements	5,011,923	700,015	-	-	-	-	5,711,938
Unrestricted/(deficit)	(5,960,769)	2,364,749	2,554,655	(100,725)	52,405	(1,089,685)	
Total net assets	<u>\$ 5,019,743</u>	<u>\$ 6,894,451</u>	<u>\$ 3,120,933</u>	<u>\$ 20,335</u>	<u>\$ 52,405</u>	<u>\$ -</u>	<u>\$ 15,107,867</u>

See accompanying notes.

**CITY OF COALINGA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds						Total Proprietary Funds
	Water	Sewer	Natural Gas	Sanitation	Utility Billing		
<b>Operating Revenue</b>							
Charges for services	\$ 3,660,416	\$ 1,000,242	\$ 1,865,461	\$ 1,733,097	\$ 139,687	\$	8,398,903
Connection charges	3,844	250	-	-	-	-	4,094
Total operating income	<u>3,664,260</u>	<u>1,000,492</u>	<u>1,865,461</u>	<u>1,733,097</u>	<u>139,687</u>		<u>8,402,997</u>
<b>Operating Expense</b>							
Contractual services and utilities	1,158,059	164,965	60,391	1,636,867	37,778		3,058,060
Personnel	800,117	277,002	315,393	71,504	470,741		1,934,757
Supplies and materials	501,868	55,375	32,692	21,869	47,359		659,163
Cost of sales	724,883	-	1,161,448	-	-		1,886,331
Depreciation	679,807	192,004	57,208	3,767	-		932,786
Total operating expense	<u>3,864,734</u>	<u>689,346</u>	<u>1,627,132</u>	<u>1,734,007</u>	<u>555,878</u>		<u>8,471,097</u>
Operating income/(loss)	<u>(200,474)</u>	<u>311,146</u>	<u>238,329</u>	<u>(910)</u>	<u>(416,191)</u>		<u>(68,100)</u>
<b>Nonoperating Revenue/(Expense)</b>							
Intergovernmental	-	-	-	5,144	-		5,144
Development impact fees	13,349	-	-	-	-		13,349
Interest income	2,666	5,429	6,890	-	-		14,985
Rental income	-	11,350	-	-	-		11,350
Amortization of bond issuance costs	(4,358)	(1,376)	-	-	-		(5,734)
Interest expense	(369,192)	(116,461)	-	-	-		(485,653)
Total nonoperating revenue/(expense)	<u>(357,535)</u>	<u>(101,058)</u>	<u>6,890</u>	<u>5,144</u>	<u>-</u>		<u>(446,559)</u>
Net income/(loss) before transfers	(558,009)	210,088	245,219	4,234	(416,191)		(514,659)
<b>Operating Transfers In/(Out)</b>	<u>11,997</u>	<u>(119,840)</u>	<u>(268,201)</u>	<u>(27,371)</u>	<u>416,191</u>		<u>12,776</u>
<b>Change in Net Assets</b>	<u>(546,012)</u>	<u>90,248</u>	<u>(22,982)</u>	<u>(23,137)</u>	<u>-</u>		<u>(501,883)</u>
<b>Net Assets</b>							
Beginning of year	7,490,465	7,542,627	3,143,915	43,472	52,405		18,272,884
Prior period adjustment	(1,924,710)	(738,424)	-	-	-		(2,663,134)
End of year	<u>\$ 5,019,743</u>	<u>\$ 6,894,451</u>	<u>\$ 3,120,933</u>	<u>\$ 20,335</u>	<u>\$ 52,405</u>		<u>\$ 15,107,867</u>

See accompanying notes.

**CITY OF COALINGA**

**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds					Total Business-Type Funds
	Water	Sewer	Natural Gas	Sanitation	Utility Billing	
<b>Operating Activities</b>						
Receipts from customers and users	\$ 3,612,878	\$ 995,140	\$ 1,867,184	\$ 1,738,052	\$ 256,672	\$ 8,469,926
Payments for contractual services and utilities	(994,682)	(208,191)	(56,945)	(1,639,656)	(30,949)	(2,930,423)
Payments to employees	(812,317)	(282,404)	(317,157)	(70,518)	(479,506)	(1,961,902)
Payments to suppliers	(501,868)	(55,375)	(32,692)	(21,869)	(47,359)	(659,163)
Payments for cost of sales	(724,883)	-	(1,161,448)	-	-	(1,886,331)
Net cash provided by (used in) operating activities	579,128	449,170	298,942	6,009	(301,142)	1,032,107
<b>Non-capital Financial Activities</b>						
Payments from other governments	-	-	-	5,144	-	5,144
Payments from developers	13,349	-	-	-	-	13,349
Transfers (to)/from other funds	805,278	(913,121)	(268,201)	137,804	416,191	1,77,951
Net cash provided by (used in) noncapital financing activities	818,627	(913,121)	(268,201)	142,948	416,191	196,444
<b>Capital and Related Financing Activities</b>						
Deferred bond issuance costs	(610,115)	(192,668)	-	-	-	(802,783)
Proceeds from issuance of debt	9,740,000	3,090,000	-	-	-	12,830,000
Purchase of property, plant and equipment	(70,313)	(10,000)	-	-	-	(80,313)
Principal paid on long-term debt	(3,447,685)	(1,418,413)	-	-	-	(4,866,098)
Interest paid on long-term debt	(2,193,999)	(830,409)	-	-	-	(3,024,408)
Net cash provided by (used in) capital and related financing activities	3,417,888	638,510	-	-	-	4,056,398
<b>Investing Activities</b>						
Interest and rents received	2,666	16,779	6,890	-	-	26,335
Net cash provided by investing activities	2,666	16,779	6,890	-	-	26,335
<b>Net Increase (Decrease) in Cash</b>	4,818,309	191,338	37,631	148,957	115,049	5,311,284
<b>Cash</b>						
Beginning of year	1,423,322	2,245,361	2,158,749	(148,957)	(7,314)	5,671,161
End of year	6,241,631	2,436,699	2,196,380	-	107,735	10,982,445
<b>Cash Flows from Operating Activities</b>						
Operating income (loss)	\$ (200,474)	\$ 311,146	\$ 238,329	\$ (910)	\$ (416,191)	\$ (68,100)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	679,807	192,004	57,208	3,767	-	932,786
(Increase) Decrease in Accounts Receivable	(51,382)	(5,352)	1,723	4,955	116,985	66,929
Increase (Decrease) in Accounts Payable and Accrued Liabilities	151,177	(48,628)	1,682	(1,803)	(1,936)	100,492
<b>Net Cash Provided by (Used in) Operating Activities</b>	579,128	449,170	298,942	6,009	(301,142)	1,032,107

See accompanying notes.

# CITY OF COALINGA

## STATEMENT OF FIDUCIARY NET ASSETS PRIVATE-PURPOSE TRUST FUNDS JUNE 30, 2012

	<u>Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,277,925	\$ 57,488	\$ 1,335,413
Cash and investments with fiscal agent	3,278,182	-	3,278,182
Notes receivable	174,634	-	174,634
Land held for sale	3,107,848	-	3,107,848
Total assets	<u>7,838,589</u>	<u>57,488</u>	<u>7,896,077</u>
<b>LIABILITIES</b>			
Accounts payable	30,103	-	30,103
Interest payable	156,469	-	156,469
Long-term Debt			
Due within one year	809,000	-	
Due in more than one year	12,739,442	-	12,739,442
Total liabilities	<u>13,735,014</u>	<u>-</u>	<u>12,926,014</u>
<b>NET ASSETS</b>			
Held in trust for other governments	<u>\$ (5,896,425)</u>	<u>\$ 57,488</u>	<u>\$ (5,838,937)</u>

# CITY OF COALINGA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE-PURPOSE TRUST FUNDS YEAR ENDED JUNE 30, 2012

	<u>Successor Agency</u>	<u>Ayres/Beason Scholarship</u>	<u>Total Private Purpose Trust Funds</u>
<b>ADDITIONS</b>			
Property Taxes	\$ 263,972	\$ -	\$ 263,972
Investments, rents and other earnings	46,503	173	46,676
Total additions	<u>310,475</u>	<u>173</u>	<u>310,648</u>
<b>DEDUCTIONS</b>			
Administrative costs	102,368	-	102,368
Interest and fiscal agency expenses of the former redevelopment agency	319,849	-	319,849
Total deductions	<u>422,217</u>	<u>-</u>	<u>422,217</u>
<b>Extraordinary loss</b>	<u>(5,784,683)</u>	<u>-</u>	<u>(5,784,683)</u>
<b>Change in Net Assets</b>	(5,896,425)	173	(5,896,252)
<b>Net Assets</b>			
Beginning of year	-	57,315	57,315
End of year	<u>\$ (5,896,425)</u>	<u>\$ 57,488</u>	<u>\$ (5,838,937)</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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.

Included in this report is the Coalinga Redevelopment Agency (the Agency). The Agency was established in 1979 to administer the City's redevelopment activities and projects. Members of the City Council automatically sit as the Agency's Board, the City Manager is appointed as Executive Director with the City staff providing all support services. All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

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 Assets and the Statement of Activities and Changes in Net Assets) 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, 2012

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### Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities and Changes in Net Assets 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 assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. 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, 2012

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### 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, 2012

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### 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, 2012

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### 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, 2012

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### 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 Assets. 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 Assets. 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 Assets.

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

- Invested In Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets - This category presents external restrictions on net assets imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the City not restricted for any project or other purpose.

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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.

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

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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, 2012 are classified in the accompanying financial statements as follows:

#### Statement of Net Assets:

Cash and Investments	\$ 9,970,126
Cash and Investments with fiscal agent	9,270,872
Fiduciary Funds:	
Cash and Investments	1,335,413
Cash and Investments with fiscal agent	3,278,182
Total Cash and Investments	<u>\$ 23,854,593</u>

Cash and investments as of June 30, 2012 consist of the following:

Deposits with Financial Institutions	\$ 2,728,624
Local Agency Investment Fund	8,576,916
Held by Fiscal Agent:	
Cash and Money Market Funds	11,034,770
Treasury Obligations	367,932
Notes, Mortgages, and Contracts	1,146,351
Total Cash and Investments	<u>\$ 23,854,593</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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, 2012

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### 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, 2012

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### 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, 2012 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Accounts receivable, net	\$ 440,666	\$ 813,724	\$ 1,254,390
Due from other governments	318,139	-	318,139
Notes receivable	1,983,069	-	1,983,069
Bonds receivable	22,799,942	-	22,799,942
	<u>\$ 25,541,816</u>	<u>\$ 813,724</u>	<u>\$ 26,355,540</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 4 – Receivables (Continued)

#### Accounts Receivable

Summaries of accounts receivable and the corresponding allowances for uncollectibles at June 30, 2012 are as follows:

	<u>Total</u>	<u>Allowance</u>	<u>Net</u>
<b><u>Governmental Activities</u></b>			
General	\$ 504,542	\$ -	\$ 504,542
Other Governmental Funds	<u>254,263</u>	<u>-</u>	<u>254,263</u>
	<u>\$ 758,805</u>	<u>\$ -</u>	<u>\$ 758,805</u>
<b><u>Business-Type Activity</u></b>			
Water	\$ 450,177	\$ 28,115	\$ 422,062
Sewer	125,995	9,034	116,961
Natural Gas	76,300	14,324	61,976
Sanitation	219,426	15,659	203,767
Utility Billing	<u>8,958</u>	<u>-</u>	<u>8,958</u>
	<u>\$ 880,856</u>	<u>\$ 67,132</u>	<u>\$ 813,724</u>

#### Notes Receivable

**Downpayment Assistance Program** – Long-term notes receivable of \$1,983,069 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, 2012

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### 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, 2012:

#### Bonds Receivable

##### Enterprise Funds

Water Bonds	\$ 10,980,000
Sewer Bonds	3,090,000
	<u>14,070,000</u>

##### Other Governmental Funds

Redevelopment Agency Bonds	7,693,942
Airport Construction Bonds	165,000
Special Assessment Bonds	871,000
	<u>8,729,942</u>

#### Total Bonds Receivable

\$ 22,799,942

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, 2012

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### 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, 2012 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,050,301	\$ -
Community Development Fund	1,795,463	-
Natural Gas Fund	378,000	-
Sewer Fund	793,281	-
Water Fund	-	793,281
Sanitation Fund	-	165,175
Claremont General Operations Fund	-	2,590,930
Transit Fund	-	89,659
Development Impact Fees Fund	-	378,000
	<u>\$ 4,017,045</u>	<u>\$ 4,017,045</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

Note 6 – Capital Assets – Capital asset activities for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 4,714,447	\$ -	\$ (2,204,104)	\$ 2,510,343
Construction in progress	1,410,927	313,854	(1,347,668)	377,113
Total capital assets, not being depreciated	<u>6,125,374</u>	<u>313,854</u>	<u>(3,551,772)</u>	<u>2,887,456</u>
Capital assets, being depreciated				
Buildings and improvements	19,062,907	-	-	19,062,907
Infrastructure	25,500,348	1,717,133	(474,074)	26,743,407
Machinery and equipment	4,781,901	60,840	(16,901)	4,825,840
Total capital assets, being depreciated	<u>49,345,156</u>	<u>1,777,973</u>	<u>(490,975)</u>	<u>50,632,154</u>
Less accumulated depreciation for				
Buildings and improvements	(8,709,627)	(488,789)	-	(9,198,416)
Infrastructure	(17,089,207)	(1,095,796)	140,008	(18,044,995)
Machinery and equipment	(3,733,586)	(322,545)	16,901	(4,039,230)
Total accumulated depreciation	<u>(29,532,420)</u>	<u>(1,907,130)</u>	<u>156,909</u>	<u>(31,282,641)</u>
Total capital assets, being depreciated, net	<u>19,812,736</u>	<u>(129,157)</u>	<u>(334,066)</u>	<u>19,349,513</u>
Governmental activities capital assets, net	<u>\$ 25,938,110</u>	<u>\$ 184,697</u>	<u>\$ (3,885,838)</u>	<u>\$ 22,236,969</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 1,068,039	\$ -	\$ -	\$ 1,068,039
Construction in progress	1,616,274	51,428	-	1,667,702
Total capital assets, not being depreciated	<u>2,684,313</u>	<u>51,428</u>	<u>-</u>	<u>2,735,741</u>
Capital assets, being depreciated				
Building	6,531,643	-	-	6,531,643
Improvements other than buildings	26,447,535	-	-	26,447,535
Machinery and equipment	5,084,681	28,885	-	5,113,566
Total capital assets, being depreciated	<u>38,063,859</u>	<u>28,885</u>	<u>-</u>	<u>38,092,744</u>
Less: accumulated depreciation	<u>(22,763,314)</u>	<u>(932,786)</u>	<u>-</u>	<u>(23,696,100)</u>
Total capital assets, being depreciated, net	<u>15,300,545</u>	<u>(903,901)</u>	<u>-</u>	<u>14,396,644</u>
Business-type activities capital assets, net	<u>\$ 17,984,858</u>	<u>\$ (852,473)</u>	<u>\$ -</u>	<u>\$ 17,132,385</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 6 – Capital Assets (Continued)

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

#### Governmental Functions:

General Government	\$	1,038,656
Public Works		24,386
Community Development		327,739
Claremont		242,686
Public Safety		273,663
	\$	<u>1,907,130</u>

#### Business-Type Functions:

Water	\$	679,807
Sewer		192,004
Natural Gas		57,208
Sanitation		3,767
	\$	<u>932,786</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, 2012

### Note 7 – Long-Term Debt (Continued)

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<b><u>Governmental Activity Long Term Debt</u></b>					
Airport Bonds and Notes Payable					
1994 Airport Revenue Bonds	215,000	-	50,000	165,000	50,000
Airport Hangar Note	159,454	-	42,549	116,905	44,440
Coalinga Public Finance Authority Bonds					
1998 Series A Bonds	6,275,000	-	730,000	5,545,000	775,000
1998 Series B Bonds	220,000	-	105,000	115,000	35,000
1998 Series C Bonds	760,000	-	385,000	375,000	160,000
2000 Series A Water and Sewer Bond	4,499,486	-	4,499,486	-	-
2000 Tax Allocation Bonds	3,344,942	-	10,000	3,334,942	15,000
2012 Water and Sewer Revenue Bonds	-	12,830,000	-	12,830,000	-
Special Assessment Bonds					
Improvement District 91-1 Series A	400,000	-	50,000	350,000	55,000
Improvement District 91-1 Series B	62,000	-	6,000	56,000	11,000
Improvement District 91-2	125,000	-	15,000	110,000	15,000
Improvement District 92-1	390,000	-	35,000	355,000	40,000
Lease Payable					
Fire Truck Capital Lease	275,137	-	33,393	241,744	35,193
Ambulance Capital Lease	48,181	-	48,181	-	-
Total Governmental Activity Debt	<u>\$ 16,774,200</u>	<u>\$ 12,830,000</u>	<u>\$ 6,009,609</u>	<u>\$ 23,594,591</u>	<u>\$ 1,235,633</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
Bonds Payable					
2000 Series A Water Bond	\$ 3,217,685	\$ -	\$ 3,217,685	\$ -	\$ -
2000 Series A Sewer Bond	1,281,801	-	1,281,801	-	-
1993 Series B Water Revenue Bonds	1,215,000	-	170,000	1,045,000	185,000
1994 Water Revenue Bonds	255,000	-	60,000	195,000	60,000
1981 Sewer Revenue Bonds	136,612	-	136,612	-	-
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>\$ 6,106,098</u>	<u>\$ 12,830,000</u>	<u>\$ 4,866,098</u>	<u>\$ 14,070,000</u>	<u>\$ 245,000</u>
<b><u>Compensated Absences</u></b>					
Government Activities	<u>\$ 740,867</u>	<u>\$ -</u>	<u>\$ 308,531</u>	<u>\$ 432,336</u>	
Business-Type Activities	<u>\$ 170,697</u>	<u>\$ -</u>	<u>\$ 27,144</u>	<u>\$ 143,553</u>	

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2012 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, 2012 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, 2012

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### 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 Water/Sewer Series A Bonds** - In June 2000, the CPFA issued bonds in the amount of \$4,067,685 and \$2,246,801 respectively. The funds were used for the purpose of financing the acquisition, construction and improvement of certain water and sewer facilities. The 2000 principal payments are made each April 1 beginning in 2001 through 2030. Interest is to be paid semi-annually on April 1 and October 1 through 2030. The interest rates range from 5.3 to 6.6 percent. These bonds were retired during the current fiscal year with the proceeds from the 2012 Water and Sewer Revenue Bonds.

**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.	\$ 350,000
The Improvement District 91-1 Series B bonds reflect a 9.3 percent interest rate through 2016.	56,000
The Improvement District 91-2 bonds reflect a 9.5 percent interest rate through 2016.	110,000
The Improvement District 92-1 bonds reflect a 7.75 percent interest rate through 2018.	<u>355,000</u>
Total Special Assessment Bonds	<u>\$ 871,000</u>

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### 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.

**Ambulance 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 three ambulances. The lease bears an interest rate of 6.0% and was retired during the current fiscal year.

**2000 Water/Sewer Series A Bonds** - In June 2000, the CPFA issued bonds in the amount of \$4,067,685 and \$2,246,801 respectively. The funds were used for the purpose of financing the acquisition, construction and improvement of certain water and sewer facilities. The principal payments are made each April 1 beginning in 2001 through 2030. Interest is to be paid semi-annually on April 1 and October 1 through 2030. The interest rates range from 5.3 to 6.6 percent. These bonds were retired during the current fiscal year with the proceeds from the 2012 Water and Sewer Revenue Bonds.

**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.

**1981 Sewer Revenue Bonds** - In 1981, the City issued Revenue Bonds to construct sewer facilities. The City has pledged income derived from sewer fees to pay the debt service. Bond principal payments are made each April. Interest, at 5 percent, is paid semi-annually each April and October. The bond was retired during the current fiscal year.

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

### Note 7 – Long-Term Debt (Continued)

**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.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2012 were as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	1,235,633	1,214,047	245,000	675,778
2014	1,249,421	1,155,331	260,000	677,610
2015	1,300,223	1,076,608	280,000	659,301
2016	726,196	992,293	220,000	642,519
2017	762,417	942,429	235,000	627,447
2018-2022	3,445,757	4,143,572	1,090,000	3,028,617
2023-2027	3,975,429	3,670,480	1,320,000	2,798,372
2028-2032	2,129,515	4,726,238	1,650,000	2,445,750
2033-2037	2,050,000	1,997,500	2,050,000	1,997,500
2038-2042	2,610,000	1,431,500	2,610,000	1,431,500
2043-2047	3,340,000	709,750	3,340,000	709,750
2048	770,000	38,500	770,000	38,500
	<u>\$23,594,591</u>	<u>\$22,098,248</u>	<u>\$14,070,000</u>	<u>\$15,732,644</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, 2012 of \$20,000,000.

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 \$1,000,000,000 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, 2012

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### Note 9 - Contingent Liabilities

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

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

### Note 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, 2012, 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, certain department managers and Claremont Custody Center employees 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, Claremont Custody Center 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, 2012

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### 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.

The Claremont Custody Center 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 Claremont Custody Center 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.

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

During the current year, the City contributed \$842,853 (7% of the participant's payroll) in employer contributions into the 401A retirement plans through ICMA. During 2012 the employee contributions totaled \$283,861 (7% of the participant's payroll) to the ICMA plans. For the fiscal year ended June 30, 2012, the total payroll for employee's covered by the 401A plans was \$6,113,917 while the total payroll for all City employees was \$6,488,578.

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

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### **Note 11 – Successor Agency Trust For Assets of Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Coalinga that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. The City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

# CITY OF COALINGA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

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### Note 11 – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 6,478,816
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	1,504,998
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(220,055)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(13,548,442)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (5,784,683)</u>

### Note 12 – Deficit Net Assets Balance

The Transit Fund, Claremont General Operations Fund and Development Impact Fees Fund have deficit net asset balances as of June 30, 2012 of \$17,001, \$2,621,664 and \$130,260, respectively. The deficits are expected to be relieved from future revenues or transfers from the General Fund.

### Note 13 – Prior Period Adjustment

The prior period adjustment in the Business-Type Activities section of the Statement of Activities for \$2,663,134 is to record a subtraction to net assets for interest expense related to the retirement of the 2000 Water/Sewer Series A Bonds that was incurred in previous years but not recorded as accrued interest payable.

**REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF COALINGA

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 3,321,633	\$ 3,321,633	\$ 3,615,048	\$ 293,415
Licenses and permits	138,950	138,950	49,399	(89,551)
Intergovernmental	104,200	104,200	104,070	(130)
Charges for services	2,128,615	2,128,615	2,130,906	2,291
Fines and forfeitures	25,500	25,500	20,526	(4,974)
Interest and rents	62,605	62,605	66,475	3,870
Other	300,450	300,450	221,260	(79,190)
Total revenue	<u>6,081,953</u>	<u>6,081,953</u>	<u>6,207,683</u>	<u>125,730</u>
<b>Expenditures</b>				
Current				
General government	1,258,622	1,258,622	1,204,813	53,809
Public works	732,119	732,119	683,600	48,519
Community development	220,179	220,179	212,294	7,885
Public safety	5,784,409	5,784,409	5,504,522	279,887
Capital outlay	5,184	5,184	5,184	-
Debt service				
Principal	174,123	174,123	171,400	2,723
Interest and fiscal charges	40,047	40,047	44,481	(4,434)
Total expenditures	<u>8,214,683</u>	<u>8,214,683</u>	<u>7,826,294</u>	<u>388,389</u>
Revenue over (under)expenditures	(2,132,730)	(2,132,730)	(1,618,611)	514,119
<b>Other Financing Sources</b>				
Transfers in (out) - net	<u>1,926,441</u>	<u>1,926,441</u>	<u>1,178,188</u>	<u>(748,253)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (206,289)</u>	<u>\$ (206,289)</u>	<u>(440,423)</u>	<u>\$ (234,134)</u>
<b>Fund Balance</b>				
Beginning of year			<u>2,548,892</u>	
End of year			<u>\$ 2,108,469</u>	

# CITY OF COALINGA

## BUDGETARY COMPARISON SCHEDULE COALINGA PUBLIC FINANCING AUTHORITY FUND YEAR ENDED JUNE 30, 2012

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenue</b>				
Interest	\$ -	\$ -	\$ 62,083	\$ 62,083
Loan payments	<u>2,042,985</u>	<u>2,042,985</u>	<u>6,476,940</u>	<u>4,433,955</u>
Total revenue	<u>2,042,985</u>	<u>2,042,985</u>	<u>6,539,023</u>	<u>4,496,038</u>
<b>Expenditures</b>				
Debt Service				
Principal	1,270,000	1,270,000	5,729,486	(4,459,486)
Interest and fiscal charges	<u>799,583</u>	<u>799,583</u>	<u>684,684</u>	<u>114,899</u>
Total expenditures	<u>2,069,583</u>	<u>2,069,583</u>	<u>6,414,170</u>	<u>(4,344,587)</u>
Revenue over expenditures	(26,598)	(26,598)	124,853	151,451
<b>Other Financing Sources/(Uses)</b>				
Transfers in/(out) - net	-	-	(648,567)	(648,567)
<b>Change in Fund Balance</b>	<u>\$ (26,598)</u>	<u>\$ (26,598)</u>	(523,714)	<u>\$ (497,116)</u>
<b>Fund Balance</b>				
Beginning of year			<u>2,266,872</u>	
End of year			<u>\$ 1,743,158</u>	

**SUPPLEMENTAL ONLY INFORMATION**

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CITY OF COALINGA

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue Funds										
	Gax Tax	Measure C	Local Transportation	Transit	RDA		Low-Moderate Housing Asset	Claremont General Operations	Habitat Conservation	COPS Grants	EDA Funds
					Low-Moderate Housing	Low-Moderate Housing Asset					
<b>ASSETS</b>											
Cash and investments	\$ 663,369	\$ 1,250,748	\$ 1,284,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,882	\$ 48,198	\$ 527,094
Accounts receivable, net	-	-	-	-	-	-	-	-	-	-	4,560
Due from other governments	54,733	33,878	-	83,294	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	1,983,069	-	-	-	-	-
Total assets	\$ 718,102	\$ 1,284,626	\$ 1,284,227	\$ 83,294	\$ -	\$ 1,983,069	\$ -	\$ 119,882	\$ 48,198	\$ 531,654	
<b>LIABILITIES AND FUND BALANCE</b>											
<b>Liabilities</b>											
Accounts payable and accrued expense	\$ 16,672	\$ 543	\$ -	\$ 10,636	\$ -	\$ -	\$ 21,903	\$ -	\$ -	\$ -	\$ 698
Deposits and claims payable	-	-	-	-	-	-	8,831	-	-	-	16,026
Due to other funds	-	-	-	89,659	-	-	2,590,930	-	-	-	-
Deferred revenue	-	-	-	-	-	1,983,069	-	-	-	-	-
Total liabilities	16,672	543	-	100,295	-	1,983,069	2,621,664	-	-	-	16,724
<b>Fund Balance</b>											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Capital improvement projects	-	-	-	-	-	-	-	-	-	-	-
Circulation improvements	701,430	1,284,083	1,284,227	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	48,198	-	-
Environmental conservation	-	-	-	-	-	-	-	119,882	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	514,930
Unassigned	-	-	-	(17,001)	-	-	(2,621,664)	-	-	-	-
Total fund balance	701,430	1,284,083	1,284,227	(17,001)	-	-	(2,621,664)	119,882	48,198	-	514,930
Total liabilities and fund balance	\$ 718,102	\$ 1,284,626	\$ 1,284,227	\$ 83,294	\$ -	\$ 1,983,069	\$ -	\$ 119,882	\$ 48,198	\$ 531,654	

**CITY OF COALINGA**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2012**

	Special Revenue Funds			Capital Projects Funds			Debt Service Funds			Total Non-major Governmental Funds
	Claremont Inmate Welfare	Claremont Telephone Commissions	Claremont Equipment Replacement	Community Redevelopment	Community Development	Development Impact Fees	RDA Debt Service	Special Assessments Debt Service		
<b>ASSETS</b>										
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 1,245,233	\$ 247,740	\$ -	\$ 295,485	\$ 5,681,976	
Accounts receivable, net	-	-	-	-	77,696	-	-	-	82,256	
Due from other governments	-	-	-	-	-	-	-	102	172,007	
Due from other funds	-	-	-	-	1,795,463	-	-	-	1,795,463	
Notes receivable	-	-	-	-	-	-	-	-	1,983,069	
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 3,118,392	\$ 247,740	\$ -	\$ 295,587	\$ 9,714,771	
<b>LIABILITIES AND FUND BALANCE</b>										
<b>Liabilities</b>										
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ -	\$ 263	\$ -	\$ -	\$ 184	\$ 50,899	
Deposits and claims payable	-	-	-	-	-	-	-	-	24,857	
Due to other funds	-	-	-	-	-	378,000	-	-	3,058,589	
Deferred revenue	-	-	-	-	-	-	-	-	1,983,069	
Total liabilities	-	-	-	-	263	378,000	-	184	5,117,414	
<b>Fund Balance</b>										
<b>Restricted</b>										
Debt service	-	-	-	-	-	-	-	295,403	295,403	
Capital improvement projects	-	-	-	-	3,118,129	-	-	-	3,118,129	
Circulation improvements	-	-	-	-	-	-	-	-	3,269,740	
Public safety	-	-	-	-	-	-	-	-	48,198	
Environmental conservation	-	-	-	-	-	-	-	-	119,882	
Economic development	-	-	-	-	-	-	-	-	514,930	
Unassigned	-	-	-	-	-	(130,260)	-	-	(2,768,925)	
Total fund balance	-	-	-	-	3,118,129	(130,260)	-	295,403	4,597,357	
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -	\$ 3,118,392	\$ 247,740	\$ -	\$ 295,587	\$ 9,714,771	

**CITY OF COALINGA**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds										EDA Funds	
	Gas Tax	Measure C	Local Transportation	Transit	RDA		Claremont General Operations	Habitat Conservation	COPS Grants			
					Low-Moderate Housing	Low-Moderate Housing Asset						
<b>Revenue</b>												
Taxes	\$ 527,665	\$ 393,478	233,194	233,510	-	-	-	-	\$ 100,000	-	-	\$ -
Intergovernmental	-	-	-	35,218	-	-	122,709	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Rental	-	-	-	-	-	-	-	-	-	-	-	37,326
Interest	1,998	3,768	3,869	-	271	-	-	361	-	145	-	649
Other	-	-	-	-	4,192	-	-	-	-	-	-	-
<b>Total revenue</b>	<u>\$ 529,663</u>	<u>\$ 397,246</u>	<u>\$ 237,063</u>	<u>\$ 268,728</u>	<u>\$ 4,463</u>	<u>\$ 122,709</u>	<u>\$ 100,145</u>	<u>\$ 361</u>	<u>\$ 100,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,975</u>
<b>Expenditures</b>												
Public works	348,543	218,711	5,976	269,012	-	-	-	-	-	-	-	-
Community development	-	-	-	-	43,336	-	-	2,293	-	-	-	19,120
Claremont	-	-	-	-	-	1,501,557	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	90,603	-	-
Capital outlay	28,000	45,113	22,024	-	-	-	-	-	-	27,656	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>\$ 376,543</u>	<u>\$ 263,824</u>	<u>\$ 28,000</u>	<u>\$ 269,012</u>	<u>\$ 43,336</u>	<u>\$ 1,501,557</u>	<u>\$ 118,259</u>	<u>\$ 2,293</u>	<u>\$ 118,259</u>	<u>\$ 19,120</u>	<u>\$ -</u>	<u>\$ 19,120</u>
Revenue over (under) expenditures	153,120	133,422	209,063	(284)	(38,873)	(1,378,848)	(18,114)	(1,932)	(18,114)	18,855	-	-
<b>Other financing sources/(uses)</b>												
Redemption of special assessment debt	-	-	-	-	-	(190,663)	-	-	-	-	-	-
Operating transfers in/(out) - net	-	-	-	-	-	(190,663)	-	-	-	-	-	-
<b>Extraordinary Loss</b>												
	-	-	-	-	(2,575,788)	-	-	-	-	-	-	-
<b>Change in Fund Balance</b>	153,120	133,422	209,063	(284)	(2,614,661)	(1,569,511)	(18,114)	(1,932)	(18,114)	18,855	-	-
<b>Fund Balance</b>												
Beginning of year	548,310	1,150,661	1,075,164	(16,717)	2,614,661	(1,052,153)	121,814	66,312	496,075	-	-	-
End of year	<u>\$ 701,430</u>	<u>\$ 1,284,083</u>	<u>\$ 1,284,227</u>	<u>\$ (17,001)</u>	<u>\$ -</u>	<u>\$ (2,621,664)</u>	<u>\$ 119,882</u>	<u>\$ 48,198</u>	<u>\$ 514,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COALINGA**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			Capital Projects Funds				Debt Service Funds			Total Non-major Governmental Funds
	Claremont Inmate Welfare	Claremont Telephone Commissions	Claremont Equipment Replacement	Community Redevelopment	Community Development	Development Impact Fees	RDA Debt Service	Special Assessments Debt Service			
<b>Revenue</b>											
Taxes	\$ -	\$ -	\$ -	\$ 1,055,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,055,889	
Intergovernmental	-	-	-	-	430,840	-	-	-	-	1,918,687	
Charges for services	1,103	238	-	-	-	-	-	-	-	159,268	
Rental	-	-	-	18,188	-	-	-	-	-	55,514	
Interest	-	-	-	4,561	-	881	-	890	-	17,393	
Other	-	-	-	6,997	-	200	-	-	-	11,389	
Total revenue	1,103	238	-	1,085,635	430,840	1,081	-	890	-	3,218,140	
<b>Expenditures</b>											
Public works	-	-	-	-	-	-	-	-	-	842,242	
Community development	-	-	-	501,495	129,088	-	-	-	-	695,332	
Claremont	41,765	-	-	-	-	-	-	-	-	1,543,322	
Public safety	-	-	-	-	-	-	-	-	-	90,603	
Capital outlay	-	-	-	-	616,182	-	-	-	-	738,975	
Debt service	-	-	-	-	-	-	-	-	-	880,000	
Principal	-	-	-	774,000	-	-	-	106,000	-	497,275	
Interest and fiscal charges	-	-	-	410,594	-	-	-	86,681	-	5,287,749	
Total expenditures	41,765	-	-	1,686,089	745,270	-	-	192,681	-		
Revenue over (under) expenditures	(40,662)	238	-	(600,454)	(314,430)	1,081	-	(191,791)	-	(2,069,609)	
<b>Other financing sources/(uses)</b>											
Redemption of special assessment debt	-	-	-	-	-	-	-	220,750	-	220,750	
Operating transfers in/(out) - net	(114,610)	(171,795)	(65,329)	-	-	-	-	-	-	(542,397)	
	(114,610)	(171,795)	(65,329)	-	-	-	-	220,750	-	(321,647)	
Extraordinary Loss	-	-	-	(2,876,427)	-	-	(1,026,601)	-	-	(6,478,816)	
Change in Fund Balance	(155,272)	(171,557)	(65,329)	(3,476,881)	(314,430)	1,081	(1,026,601)	28,959	-	(8,870,072)	
Fund Balance											
Beginning of year	155,272	171,557	65,329	3,476,881	3,432,559	(131,341)	1,026,601	266,444	-	13,467,429	
End of year	\$ -	\$ -	\$ -	\$ -	\$ 3,118,129	\$ (130,260)	\$ -	\$ 295,403	\$ -	\$ 4,597,357	

**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 the financial statements of the City of Coalinga, as of, and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Coalinga's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

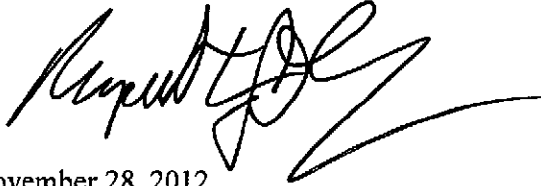
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Coalinga's financial statements are free of 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*.

We noted certain matters that we reported to management of the City of Coalinga in a separate letter dated November 28, 2012.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Randy [unclear]", with a long horizontal flourish extending to the right.

November 28, 2012