

**CITY OF COALINGA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

**CITY OF COALINGA
CALIFORNIA
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalinga, California (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalinga, California, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 46 through 47, the Proportionate Share of Net Pension Liability on page 48, and the Schedule of Contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2020, on our consideration of the City of Coalinga's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Coalinga's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
January 20, 2020

BASIC FINANCIAL STATEMENTS

CITY OF COALINGA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,677,949	\$ 5,645,256	\$ 15,323,205
Restricted cash with fiscal agent	2,699,811	2,860,208	5,560,019
Receivables (net of allowance for uncollectibles)	2,175,212	872,492	3,047,704
Internal balances	12,733,154	(12,733,154)	-
Advances to the Successor Agency	1,850,000	-	1,850,000
Notes receivable	3,313,811	-	3,313,811
Bonds receivable	619,942	-	619,942
Capital assets:			
Nondepreciable	3,330,224	1,228,175	4,558,399
Depreciable, net of accumulated depreciation	<u>17,775,271</u>	<u>16,549,257</u>	<u>34,324,528</u>
Total assets	<u>54,175,374</u>	<u>14,422,234</u>	<u>68,597,608</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>900,117</u>	<u>259,161</u>	<u>1,159,278</u>
Total deferred outflows of resources	<u>900,117</u>	<u>259,161</u>	<u>1,159,278</u>
LIABILITIES			
Accounts payable	714,566	556,341	1,270,907
Accrued liabilities	186,479	30,017	216,496
Deposits and other liabilities	99,838	34,100	133,938
Accrued interest payable	188,906	-	188,906
Due to employees	748,625	-	748,625
Unearned revenue	6,662	-	6,662
Noncurrent liabilities:			
Due within one year	652,693	46,377	699,070
Due in more than one year	15,992,936	124,069	16,117,005
Net pension liability	<u>400,936</u>	<u>112,081</u>	<u>513,017</u>
Total liabilities	<u>18,991,641</u>	<u>902,985</u>	<u>19,894,626</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>28,733</u>	<u>21,868</u>	<u>50,601</u>
Total deferred inflows of resources	<u>28,733</u>	<u>21,868</u>	<u>50,601</u>

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

CITY OF COALINGA
STATEMENT OF NET POSITION
JUNE 30, 2018
(Continued)

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	19,268,809	8,012,640	27,281,449
Restricted for:			
Community development	2,454,284	-	2,454,284
Emergency Medical Transportation	3,092,257	-	3,092,257
Law enforcement	79,595	-	79,595
Storm drainage and flood control	182,984	-	182,984
Capital projects and improvements	1,814,523	-	1,814,523
Streets and bridges	314,351	69,565	383,916
Transit system	12,837	-	12,837
Street maintenance	1,664,932	-	1,664,932
LTF Article 8	783,748	-	783,748
Public buildings and facilities	68,286	-	68,286
EDA community buildings	46,699	-	46,699
EDA revolving loans	58,701	-	58,701
Debt service	3,545,562	-	3,545,562
Unrestricted	<u>2,667,549</u>	<u>5,674,337</u>	<u>8,341,886</u>
Total net position	<u>\$ 36,055,117</u>	<u>\$ 13,756,542</u>	<u>\$ 49,811,659</u>

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

CITY OF COALINGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	Expenses						
Primary government							
Governmental activities:							
General government	\$ 1,105,998	\$ 178,701	\$ -	\$ -	\$ (927,297)	\$ -	\$ (927,297)
Public works	2,554,048	249,329	1,046,770	239,875	(1,018,074)	-	(1,018,074)
Community development	1,428,199	887,159	768,320	445,801	673,081	-	673,081
Public safety	6,113,650	1,968,357	1,994,094	-	(2,151,199)	-	(2,151,199)
Interest on long-term debt	1,286,616	-	-	-	(1,286,616)	-	(1,286,616)
Total governmental activities	12,488,511	3,283,546	3,809,184	685,676	(4,710,105)	-	(4,710,105)
Business-type activities:							
Water	5,111,762	5,540,692	-	-	-	428,930	428,930
Sewer	1,459,355	1,646,091	-	-	-	186,736	186,736
Natural gas	1,797,066	1,675,386	-	-	-	(121,680)	(121,680)
Sanitation	1,828,413	1,764,731	-	174	-	(63,508)	(63,508)
Total business-type activities	10,196,596	10,626,900	-	174	-	430,478	430,478
Total	\$ 22,685,107	\$ 13,910,446	\$ 3,809,184	\$ 685,850	\$ (4,710,105)	\$ 430,478	\$ (4,279,627)
General revenues:							
Property taxes					3,114,370	-	3,114,370
Sales taxes					826,940	-	826,940
Franchise and other taxes					408,487	-	408,487
Special assessments					88,050	-	88,050
Rents					68,037	45,400	113,437
Unrestricted investment earnings					1,509,065	53,450	1,562,515
Gain on sale of assets					632,167	-	632,167
Miscellaneous					105,120	2,213	107,333
Total general revenues					6,752,236	101,063	6,853,299
Changes in net position					2,042,131	531,541	2,573,672
Net position - beginning, restated					34,012,986	13,225,001	47,237,987
Net position - ending					\$ 36,055,117	\$ 13,756,542	\$ 49,811,659

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

CITY OF COALINGA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Coalinga Public Financing Authority Debt Service Fund	Low-Moderate Housing Asset Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,916,605	\$ 1,112,558	\$ 189,494	\$ 5,459,292	\$ 9,677,949
Restricted cash with fiscal agent	-	1,931,193	768,618	-	2,699,811
Receivables (net of allowance for uncollectibles)	693,867	1,255,259	155	225,931	2,175,212
Due from other funds	591,321	-	-	-	591,321
Advances to other funds	-	12,685,000	-	-	12,685,000
Advances to the Successor Agency	-	1,850,000	-	-	1,850,000
Notes receivable	-	-	3,313,811	-	3,313,811
Bonds receivable	-	619,942	-	-	619,942
Total assets	<u>\$ 4,201,793</u>	<u>\$ 19,453,952</u>	<u>\$ 4,272,078</u>	<u>\$ 5,685,223</u>	<u>\$ 33,613,046</u>
LIABILITIES					
Accounts payable	\$ 464,728	\$ 550	\$ 3,983	\$ 245,305	\$ 714,566
Accrued liabilities	181,417	-	-	5,062	186,479
Deposits and other liabilities	94,538	-	-	5,300	99,838
Due to other funds	-	-	-	105,167	105,167
Due to employees	748,625	-	-	-	748,625
Unearned revenue	-	-	-	6,662	6,662
Advances from other funds	-	-	-	438,000	438,000
Total liabilities	<u>1,489,308</u>	<u>550</u>	<u>3,983</u>	<u>805,496</u>	<u>2,299,337</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>63,794</u>	<u>-</u>	<u>1,813,811</u>	<u>-</u>	<u>1,877,605</u>
Total deferred inflows of resources	<u>63,794</u>	<u>-</u>	<u>1,813,811</u>	<u>-</u>	<u>1,877,605</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Leases receivable	18,465	-	-	-	18,465
Restricted:					
Community development	-	-	2,454,284	-	2,454,284
Emergency Medical Transportation	3,092,257	-	-	-	3,092,257
Law enforcement	-	-	-	79,595	79,595
Storm drainage and flood control	-	-	-	182,984	182,984
Capital projects and improvements	-	-	-	1,814,523	1,814,523
Streets and bridges	-	-	-	314,351	314,351
Transit system	-	-	-	12,837	12,837
Street maintenance	-	-	-	1,664,932	1,664,932
LTF Article 8	-	-	-	783,748	783,748
Public buildings and facilities	-	-	-	68,286	68,286
EDA community buildings	-	-	-	46,699	46,699
EDA revolving loans	-	-	-	58,701	58,701
Debt service	-	19,453,402	-	108,728	19,562,130
Unassigned	<u>(462,031)</u>	<u>-</u>	<u>-</u>	<u>(255,657)</u>	<u>(717,688)</u>
Total fund balances (deficits)	<u>2,648,691</u>	<u>19,453,402</u>	<u>2,454,284</u>	<u>4,879,727</u>	<u>29,436,104</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 4,201,793</u>	<u>\$ 19,453,952</u>	<u>\$ 4,272,078</u>	<u>\$ 5,685,223</u>	<u>\$ 33,613,046</u>

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

CITY OF COALINGA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2018

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

Total fund balances - governmental funds	\$ 29,436,104
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	21,105,495
Other long-term assets are not available resources and, therefore, are not reported in the funds.	1,877,605
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(16,645,629)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is generally not accrued as a liability in the balance sheet of governmental funds.	(188,906)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds.	<u>470,448</u>
Net position of governmental activities	<u><u>\$ 36,055,117</u></u>

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

CITY OF COALINGA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Coalinga Public Financing Authority Debt Service Fund	Low-Moderate Housing Asset Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and special assessments	\$ 4,330,161	\$ -	\$ -	\$ 88,050	\$ 4,418,211
Licenses, permits and impact fees	894,789	-	-	344,157	1,238,946
Intergovernmental	1,913,105	-	949,517	1,417,948	4,280,570
Charges for services	1,915,233	-	-	21,315	1,936,548
Fines and forfeitures	17,105	-	-	-	17,105
Use of money and property	109,238	1,443,089	6,513	45,415	1,604,255
Miscellaneous	105,120	-	-	-	105,120
Total revenues	9,284,751	1,443,089	956,030	1,916,885	13,600,755
EXPENDITURES					
Current:					
General government	873,311	-	-	-	873,311
Public works	190,749	-	-	759,841	950,590
Community development	416,732	-	499,817	3,316	919,865
Public safety	5,550,798	-	-	-	5,550,798
Capital outlay	107,354	-	450,000	966,619	1,523,973
Debt service:					
Principal	-	7,565,000	-	53,793	7,618,793
Interest and fiscal charges	-	1,314,689	-	25,069	1,339,758
Total expenditures	7,138,944	8,879,689	949,817	1,808,638	18,777,088
Excess (deficiency) of revenues over (under) expenditures	2,145,807	(7,436,600)	6,213	108,247	(5,176,333)
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	632,167	-	-	-	632,167
Transfers in	-	-	10,995	-	10,995
Transfers out	-	-	-	(10,995)	(10,995)
Total other financing sources (uses)	632,167	-	10,995	(10,995)	632,167
Net changes in fund balances	2,777,974	(7,436,600)	17,208	97,252	(4,544,166)
Fund balances (deficit), beginning (restated)	(129,283)	26,890,002	2,437,076	4,782,475	33,980,270
Fund balances (deficit), ending	\$ 2,648,691	\$ 19,453,402	\$ 2,454,284	\$ 4,879,727	\$ 29,436,104

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

CITY OF COALINGA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds	\$ (4,544,166)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	306,526
Depreciation expense on capital assets is reported on the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,226,448)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position.	7,618,793
Amortization of long-term debt premiums and discounts do not require the use of current financial resources and is not reported as an expenditure in the governmental funds.	45,219
Accreted interest expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	(112,192)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	(131,609)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(331,827)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	297,720
Change in accrued interest is not reported in the governmental funds.	<u>120,115</u>
Change in net position of governmental activities	<u><u>\$ 2,042,131</u></u>

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

CITY OF COALINGA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities				
	Water	Sewer	Natural Gas	Sanitation	Total
ASSETS					
Current assets:					
Cash and investments	\$ -	\$ 3,318,423	\$ 2,326,833	\$ -	\$ 5,645,256
Restricted cash with fiscal agent	2,152,889	707,319	-	-	2,860,208
Receivables (net of allowance for uncollectibles)	421,115	156,881	100,599	193,897	872,492
Total current assets	2,574,004	4,182,623	2,427,432	193,897	9,377,956
Noncurrent assets:					
Advances to other funds	-	-	378,000	-	378,000
Capital assets:					
Nondepreciable	155,499	1,064,176	8,500	-	1,228,175
Depreciable, net of accumulated depreciation	11,230,408	4,635,197	469,223	214,429	16,549,257
Total noncurrent assets	11,385,907	5,699,373	855,723	214,429	18,155,432
Total assets	13,959,911	9,881,996	3,283,155	408,326	27,533,388
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	118,490	55,693	74,760	10,218	259,161
Total deferred outflows of resources	118,490	55,693	74,760	10,218	259,161
LIABILITIES					
Current liabilities:					
Accounts payable	276,513	68,674	73,455	137,699	556,341
Accrued liabilities	13,989	6,923	7,897	1,208	30,017
Deposits and other liabilities	34,100	-	-	-	34,100
Due to other funds	245,159	-	-	240,995	486,154
Current portion of long-term debt	-	46,377	-	-	46,377
Total current liabilities	569,761	121,974	81,352	379,902	1,152,989
Noncurrent liabilities:					
Advances from other funds	9,585,000	3,040,000	-	-	12,625,000
Compensated absences	47,681	20,736	29,309	3,155	100,881
Long-term debt	-	23,188	-	-	23,188
Net pension liability	50,860	24,230	32,580	4,411	112,081
Total noncurrent liabilities	9,683,541	3,108,154	61,889	7,566	12,861,150
Total liabilities	10,253,302	3,230,128	143,241	387,468	14,014,139
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	9,923	4,727	6,357	861	21,868
Total deferred inflows of resources	9,923	4,727	6,357	861	21,868
NET POSITION					
Net investment in capital assets	3,953,796	3,366,692	477,723	214,429	8,012,640
Restricted for:					
Debt service	-	69,565	-	-	69,565
Unrestricted	(138,620)	3,266,577	2,730,594	(184,214)	5,674,337
Total net position	\$ 3,815,176	\$ 6,702,834	\$ 3,208,317	\$ 30,215	\$ 13,756,542

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

CITY OF COALINGA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities				
	Water	Sewer	Natural Gas	Sanitation	Total
Operating revenues:					
Charges for services	\$ 5,360,197	\$ 1,180,108	\$ 1,675,386	\$ 1,764,731	\$ 9,980,422
Connection charges	10,150	11,000	-	-	21,150
Total operating revenues	5,370,347	1,191,108	1,675,386	1,764,731	10,001,572
Operating expenses:					
Personnel services	1,031,380	477,267	590,171	80,188	2,179,006
Contractual services and utilities	1,337,770	327,218	460,375	1,612,595	3,737,958
Supplies and materials	725,350	191,955	134,771	32,174	1,084,250
Cost of sales	1,014,718	-	543,714	-	1,558,432
Bad debt	102,226	45,341	23,610	49,917	221,094
Depreciation	427,460	268,301	44,425	53,539	793,725
Total operating expenses	4,638,904	1,310,082	1,797,066	1,828,413	9,574,465
Operating income (loss)	731,443	(118,974)	(121,680)	(63,682)	427,107
Nonoperating revenues (expenses):					
Intergovernmental	-	-	-	174	174
Development impact fees	170,345	454,983	-	-	625,328
Investment earnings	16,787	23,688	12,790	185	53,450
Rental income	-	45,400	-	-	45,400
Miscellaneous	750	1,463	-	-	2,213
Gain (loss) on sale of assets	-	-	-	-	-
Interest expenses	(472,858)	(149,273)	-	-	(622,131)
Total nonoperating revenues (expenses)	(284,976)	376,261	12,790	359	104,434
Changes in net position	446,467	257,287	(108,890)	(63,323)	531,541
Net position, beginning	3,368,709	6,445,547	3,317,207	93,538	13,225,001
Net position, ending	\$ 3,815,176	\$ 6,702,834	\$ 3,208,317	\$ 30,215	\$ 13,756,542

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

CITY OF COALINGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities				
	Water	Sewer	Natural Gas	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from customers and users	\$ 5,360,297	\$ 1,138,355	\$ 1,665,253	\$ 1,748,485	\$ 9,912,390
Payments to suppliers and service providers	(2,992,179)	(482,002)	(1,106,593)	(1,777,859)	(6,358,633)
Payments to employees for salaries and benefits	(954,181)	(450,237)	(559,345)	(75,988)	(2,039,751)
Net cash provided (used) by operating activities	<u>1,413,937</u>	<u>206,116</u>	<u>(685)</u>	<u>(105,362)</u>	<u>1,514,006</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other receipts	750	1,463	-	-	2,213
Payments to (from) other funds	(109,204)	(50,000)	-	105,903	(53,301)
Net cash provided (used) by noncapital financing activities	<u>(108,454)</u>	<u>(48,537)</u>	<u>-</u>	<u>105,903</u>	<u>(51,088)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	(13,099)	(6,210)	(7,258)	(726)	(27,293)
Development impact fees received	170,345	454,983	-	-	625,328
Rental income received	-	45,400	-	-	45,400
Acquisition and construction of capital assets	(992,151)	(232,859)	(109,666)	-	(1,334,676)
Principal paid on capital debt	-	(46,376)	-	-	(46,376)
Interest paid on capital debt	(472,858)	(149,273)	-	-	(622,131)
Net cash provided (used) by capital and related financing activities	<u>(1,307,763)</u>	<u>65,665</u>	<u>(116,924)</u>	<u>(726)</u>	<u>(1,359,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>16,763</u>	<u>20,042</u>	<u>9,745</u>	<u>185</u>	<u>46,735</u>
Net cash provided (used) by investing activities	<u>16,763</u>	<u>20,042</u>	<u>9,745</u>	<u>185</u>	<u>46,735</u>
Increase (decrease) in cash and cash equivalents	14,483	243,286	(107,864)	-	149,905
Cash and cash investments, July 1	<u>2,138,406</u>	<u>3,782,456</u>	<u>2,434,697</u>	<u>-</u>	<u>8,355,559</u>
Cash and cash investments, June 30	<u>\$ 2,152,889</u>	<u>\$ 4,025,742</u>	<u>\$ 2,326,833</u>	<u>\$ -</u>	<u>\$ 8,505,464</u>

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

CITY OF COALINGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Business-Type Activities				
	Water	Sewer	Natural Gas	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 731,443	\$ (118,974)	\$ (121,680)	\$ (63,682)	\$ 427,107
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	427,460	268,301	44,425	53,539	793,725
Bad debt	102,226	45,341	23,610	49,917	221,094
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(19,650)	(52,753)	(10,133)	(16,246)	(98,782)
(Increase) decrease in deferred outflows of resources	47,252	9,302	12,738	2,778	72,070
Increase (decrease) in accounts payable	85,659	37,171	32,267	(133,090)	22,007
Increase (decrease) in accrued liabilities	1,076	1,171	926	268	3,441
Increase (decrease) in deposits and other liabilities	9,600	-	-	-	9,600
Increase (decrease) in compensated absences	2,966	1,386	(3,245)	(1,498)	(391)
Increase (decrease) in deferred inflows of resources	(5,403)	(1,331)	(1,786)	(290)	(8,810)
Increase (decrease) in net pension liability	<u>31,308</u>	<u>16,502</u>	<u>22,193</u>	<u>2,942</u>	<u>72,945</u>
Net cash provided (used) by operating activities	<u>\$ 1,413,937</u>	<u>\$ 206,116</u>	<u>\$ (685)</u>	<u>\$ (105,362)</u>	<u>\$ 1,514,006</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:					
Cash and investments	\$ -	\$ 3,318,423	\$ 2,326,833	\$ -	\$ 5,645,256
Cash with fiscal agent	<u>2,152,889</u>	<u>707,319</u>	<u>-</u>	<u>-</u>	<u>2,860,208</u>
Total cash and cash equivalents	<u>\$ 2,152,889</u>	<u>\$ 4,025,742</u>	<u>\$ 2,326,833</u>	<u>\$ -</u>	<u>\$ 8,505,464</u>

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

CITY OF COALINGA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Coalinga Successor Agency	Ayres/Beason Scholarship	Total Private Purpose Trust Funds
ASSETS			
Cash and investments	\$ 1,385,530	\$ 51,172	\$ 1,436,702
Restricted cash with fiscal agent	708,302	-	708,302
Intergovernmental receivables	2,064	-	2,064
Interest receivable	3,372	91	3,463
Notes receivable	268,552	-	268,552
Assets held for resale	<u>2,214,586</u>	<u>-</u>	<u>2,214,586</u>
Total assets	<u>4,582,406</u>	<u>51,263</u>	<u>4,633,669</u>
LIABILITIES			
Accounts payable	3,114	-	3,114
Accrued liabilities	2,460	-	2,460
Deposits and other liabilities	15,900	-	15,900
Interest payable	22,388	-	22,388
Unearned revenue	600	-	600
Advance from the City of Coalinga	1,850,000	-	1,850,000
Long-term liabilities:			
Due within one year	602,000	-	602,000
Due in more than one year	<u>6,929,444</u>	<u>-</u>	<u>6,929,444</u>
Total liabilities	<u>9,425,906</u>	<u>-</u>	<u>9,425,906</u>
DEFERRED INFLOWS OF RESOURCES			
Gain on bond refunding	<u>14,435</u>	<u>-</u>	<u>14,435</u>
Total deferred inflows of resources	<u>14,435</u>	<u>-</u>	<u>14,435</u>
NET POSITION			
Net position held in trust for:			
Redevelopment dissolution and other purposes	(4,857,935)	-	(4,857,935)
Scholarship	<u>-</u>	<u>51,263</u>	<u>51,263</u>
Total net position (deficit)	<u>\$ (4,857,935)</u>	<u>\$ 51,263</u>	<u>\$ (4,806,672)</u>

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

**CITY OF COALINGA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Coalinga Successor Agency	Ayres/Beason Scholarship	Total Private Purpose Trust Funds
ADDITIONS			
Redevelopment property tax revenues	\$ 1,675,670	\$ -	\$ 1,675,670
Investment earnings	20,739	284	21,023
Gain (loss) on sales of property	<u>1,565,426</u>	<u>-</u>	<u>1,565,426</u>
Total additions	<u>3,261,835</u>	<u>284</u>	<u>3,262,119</u>
DEDUCTIONS			
Administrative costs	250,243	-	250,243
Interest and fiscal agency expenses	874,024	-	874,024
Distribution to County	<u>1,899,926</u>	<u>-</u>	<u>1,899,926</u>
Total deductions	<u>3,024,193</u>	<u>-</u>	<u>3,024,193</u>
Changes in net position	237,642	284	237,926
Net position (deficit), beginning	<u>(5,095,577)</u>	<u>50,979</u>	<u>(5,044,598)</u>
Net position (deficit), ending	<u><u>\$ (4,857,935)</u></u>	<u><u>\$ 51,263</u></u>	<u><u>\$ (4,806,672)</u></u>

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Coalinga, California (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. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. There are no discretely presented component units included in these financial statements.

Blended Component Unit - The Coalinga Public Financing Authority (“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. The CPFA is reported as a debt service fund and does not issue separate financial statements.

B. Basis of Presentation

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

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Coalinga Public Financing Authority Debt Service 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 **Low-Moderate Housing Asset Special Revenue Fund** accounts for monies received and expended for low and moderate income housing activities pursuant to AB1484.

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

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

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the City's water production and distribution operations.

The **Sewer Fund** accounts for the activities of the City's sanitary sewer system operations.

The **Natural Gas Fund** accounts for the operation and maintenance of the City's natural gas system.

The **Sanitation Fund** accounts for the operation and maintenance of the City's sanitation system.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

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

The City reports the following private purpose trust funds:

The ***Coalinga Successor Agency Fund*** accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

The ***Ayres/Beason Scholarship Fund*** accounts for the assets and liabilities of the Ayres/Beason scholarship.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements – The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental funds are reported using *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, natural gas fund, sanitation fund, and utility billing funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

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 original maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as result of this pooling are distributed to the appropriate funds based on year-end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related 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.

Restricted Cash with Fiscal Agent

The City has funds held by trustee or fiscal agents pledged to the payment or security of bonds and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The City reports restricted cash with fiscal agent in the CPFA debt service fund, the Water and Sewer enterprise funds, and the Coalinga Successor Agency private-purpose trust fund. Amounts reported in these funds are restricted for debt service payments and specific projects.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Accounts Receivables

These are comprised primarily of revenues that have been earned but not yet received by the City as of June 30 from individual customers, private entities and government agencies. In addition, this account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures/expenses incurred but not yet reimbursed by the grantors. Also, property taxes earned but not received from the County of Fresno as of June 30 and unbilled services for utility and other services delivered to customers but not billed as of June 30, are included in this account. Management determines the allowance for doubtful accounts by evaluating individual customer accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received.

The City uses an independent billing company to bill and collect on all ambulance services. Ambulance billings consist of amounts owed by individuals for services rendered for ambulance transport. Management is not able to create a reasonable estimate of the collectability of existing accounts. In addition, the outstanding receivables are deemed unavailable as the City typically receives payment after the availability period of 60 days. The City records all ambulance receipts on a cash basis.

Property Tax Calendar

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after 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 per \$100 of full cash value.

Interfund Transactions

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Assets Held for Resale

Assets held by the City or the Coalinga Successor Agency for the purpose of improving and reselling are accounted for in the account. Property is valued at the lower of cost or net realizable value.

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 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:

Class	Useful Life Years
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

Unearned Revenue

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Unavailable Revenue

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

Deferred Outflows and Inflows of Resources

The City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Notes 9 and 10 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

Interest Payable

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

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

Long-Term Debt

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred outflows or inflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the fund financial statements, 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.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

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 eligible 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.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 10 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Classification of Net Position

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

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

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Fund Balances

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

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

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

Encumbrances

The City does not use encumbrance accounting.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Stewardship, Compliance and Accountability

Violations of Legal or Contractual Provisions

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.

Deficit Net Position

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increments to the extent that it could show on an annual basis that it had incurred indebtedness that must be repaid with tax increments. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Coalinga Successor Agency on February 1, 2012. At June 30, 2018, Coalinga Successor Agency has a deficit of \$4,857,935, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the County's Auditor-Controller.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 15,323,205
Restricted cash with fiscal agent	5,560,019

Fiduciary Funds:

Cash and investments	1,436,702
Restricted cash with fiscal agent	<u>708,302</u>

Total cash and investments	<u>\$ 23,028,228</u>
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Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 2,652
Deposits with financial institutions	10,966,748
Investments	<u>12,058,828</u>

Total cash and investments	<u>\$ 23,028,228</u>
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CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. 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 debts proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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

B. Investments Authorized by Debt Agreements

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

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. 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. One of the ways that the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements. The City's investment in the Local Agency Investment Fund ("LAIF") is available for withdraw in one business day.

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

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 5,790,509	\$ 5,790,509	\$ -	\$ -	\$ -
Held by bond trustee:					
Certificates of deposit	336,342	-	-	336,342	-
Money market funds	4,931,977	4,931,977	-	-	-
Investment contracts	1,000,000	-	-	1,000,000	-
Total	<u>\$ 12,058,828</u>	<u>\$ 10,722,486</u>	<u>\$ -</u>	<u>\$ 1,336,342</u>	<u>\$ -</u>

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Ratings as of Year-End	
			AAAm	Not Rated
State investment pool	\$ 5,790,509	N/A	\$ -	\$ 5,790,509
Held by bond trustee:				
Certificates of deposit	336,342	N/A	-	336,342
Money market funds	4,931,977	A	4,931,977	-
Investment contracts	1,000,000	N/A	-	1,000,000
Total	<u>\$ 12,058,828</u>		<u>\$ 4,931,977</u>	<u>\$ 7,126,851</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total investments by reporting unit are as follows:

\$1,000,000 of the cash and investments reported in the Coalinga Public Financing Authority debt service fund are held in the form of nonnegotiable unrated investment contract issued by Westdeutsche Landesbank Girozentrale that matures on September 15, 2021.

F. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The 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 the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. 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 carrying amounts of the City's cash deposits totaled \$10,966,767 at June 30, 2018. Bank balances were \$11,267,681, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name.

G. Local Agency Investment Fund

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.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – RECEIVABLES

Receivables as of year-end for the City's individual governmental major funds and aggregate governmental nonmajor funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Financing Authority Debt Service Fund	Low-Moderate Housing Asset	Nonmajor Governmental Funds	Total
Receivables:					
Accounts	\$ 161,264	\$ -	\$ -	\$ 10,121	\$ 171,385
Intergovernmental	510,926	-	-	205,988	716,914
Leases	18,465	-	-	-	18,465
Interest	3,212	1,255,259	155	9,822	1,268,448
Gross receivables	693,867	1,255,259	155	225,931	2,175,212
Less: Allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$ 693,867</u>	<u>\$ 1,255,259</u>	<u>\$ 155</u>	<u>\$ 225,931</u>	<u>\$ 2,175,212</u>

Receivables as of year-end for the City's enterprise funds, including applicable allowances for uncollectible accounts, are as follows:

	Water	Sewer	Natural Gas	Sanitation	Total
Receivables:					
Accounts	\$ 617,054	\$ 223,319	\$ 137,872	\$ 297,940	\$ 1,276,185
Intergovernmental	13,099	6,210	7,258	900	27,467
Leases	-	-	-	-	-
Interest	24	6,012	4,032	-	10,068
Gross receivables	630,177	235,541	149,162	298,840	1,313,720
Less: allowance for uncollectibles	(209,062)	(78,660)	(48,563)	(104,943)	(441,228)
Net receivable	<u>\$ 421,115</u>	<u>\$ 156,881</u>	<u>\$ 100,599</u>	<u>\$ 193,897</u>	<u>\$ 872,492</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – NOTES RECEIVABLE

Notes receivable of \$1,813,811 represent monies loaned to homebuyers in connection with a down payment 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 Down Payment Assistance Loan, without interest, over the following 15 years.

Additionally, the City allocated \$1,500,000 in Successor Agency Housing Bond Proceeds as a residual receipts loan to Warthan Place Investors, LP (Warthan) for the construction of the Warthan Place Apartments Multi-Family Housing Project. The City will be repaid through a residual receipts agreement with Warthan at a 1.0% interest rate.

NOTE 5 – INTERFUND ACTIVITIES

A. Current Interfund Receivables/Payables

Current interfund balances are generally short-term loans to cover temporary cash deficits in various funds and are expected to be repaid shortly after the end of the fiscal year. The City's interfund receivables and payables consisted of the following at June 30, 2018:

	Due from Other Funds	Due to Other Funds
Major Funds:		
General Fund	\$ 591,321	\$ -
Water Fund	-	245,159
Sanitation Fund	-	240,995
Nonmajor Funds:		
Transit Special Revenue Fund	-	79,675
CalTrans Grants Special Revenue Fund	-	25,492
Total	<u>\$ 591,321</u>	<u>\$ 591,321</u>

B. Long-Term Interfund Advances

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City's long-term interfund advances consisted of the following at June 30, 2018:

	Advances to Other Funds	Advances from Other Funds
Major Funds:		
Coalinga Public Financing Authority Debt Service Fund	\$ 14,535,000	\$ -
Water Fund	-	9,585,000
Sewer Fund	-	3,040,000
Natural Gas Fund	378,000	-
Nonmajor Funds:		
Developmental Impact Fees Capital Projects Fund	-	378,000
Special Assessment Debt Service Fund	-	60,000
Fiduciary Funds:		
Coalinga Successor Agency Fund	-	1,850,000
Total	<u>\$ 14,913,000</u>	<u>\$ 14,913,000</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – INTERFUND ACTIVITIES (Continued)

C. Bonds Receivable and Payable

The following is a summary of interfund bonds receivable and bonds payable at June 30, 2018:

	Bonds Receivable	Bonds Payable
Major Funds:		
Coalinga Public Financing Authority Debt Service Fund	\$ 619,942	\$ -
Fiduciary Funds:		
Coalinga Successor Agency Fund	-	619,942
Total	<u>\$ 619,942</u>	<u>\$ 619,942</u>

D. Interfund Advances and Bonds Receivables and Payables

Bonds receivable consists of debt instruments purchased by the Coalinga Public Financing Authority (CPFA), which was established in 1991 through a Joint Exercise of Powers Agreement between the City, the former Redevelopment Agency of the City of Coalinga, 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. The following is a list of the debt instruments comprising the long-term interfund advances and bonds receivable balances in the CPFA debt service fund as of June 30, 2018:

In October 1993, the CPFA loaned \$2,269,000 to the Special Assessment debt service fund for the purpose of financing the Highway 198 street improvements projects, in-town street improvements, and the acquisition of the tract number 4492 (Fox Hollow) off-site utilities and street improvements. The final payment of the loan is scheduled for September 2, 2018. The loan balance is \$60,000 as of June 30, 2018.

In June 1993, the CPFA loaned \$1,420,000 to the former Redevelopment Agency of the City of Coalinga for the purpose of financing the construction of a new police station. The final payment of the loan is scheduled for September 15, 2021. The loan balance is \$380,000 as of June 30, 2018.

In June 1993, the CPFA loaned \$5,480,000 to the former Redevelopment Agency of the City of Coalinga for the purpose of financing the former Redevelopment Agency's \$5,100,000 tax allocation bonds that were issued on June 27, 1991 for the police station project. The final payment of the loan is scheduled for September 15, 2021. The loan balance is \$1,470,000 as of June 30, 2018.

In March 2012, the CPFA loaned \$9,740,000 and \$3,090,000 to the Water and Sewer enterprise funds, respectively, for the purpose of financing the 2012 Water and Wastewater Projects and the refunding of the 2000 Revenue Bonds, Series A (Water and Wastewater Projects). The final payment of the loan is scheduled for March 25, 2048. The outstanding balance as of June 30, 2018 in the Water and Sewer enterprise funds are \$9,585,000 and \$3,040,000, respectively.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2018 is as follows:

Governmental Activities:	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 2,339,497	\$ -	\$ -	\$ 2,339,497
Construction in progress	780,470	210,257	-	990,727
Total	<u>3,119,967</u>	<u>210,257</u>	<u>-</u>	<u>3,330,224</u>
Depreciable capital assets:				
Buildings and improvements	13,445,782	71,957	-	13,517,739
Infrastructure	32,808,015	-	-	32,808,015
Machinery and equipment	5,629,664	24,312	-	5,653,976
Total	<u>51,883,461</u>	<u>96,269</u>	<u>-</u>	<u>51,979,730</u>
Less accumulated depreciation for:				
Buildings and structures	(6,541,677)	(268,938)	-	(6,810,615)
Infrastructure	(21,847,083)	(698,033)	-	(22,545,116)
Machinery and equipment	<u>(4,589,251)</u>	<u>(259,477)</u>	<u>-</u>	<u>(4,848,728)</u>
Total	<u>(32,978,011)</u>	<u>(1,226,448)</u>	<u>-</u>	<u>(34,204,459)</u>
Total capital assets being depreciated, net	<u>18,905,450</u>	<u>(1,130,179)</u>	<u>-</u>	<u>17,775,271</u>
Governmental activities capital assets, net	<u>\$ 22,025,417</u>	<u>\$ (919,922)</u>	<u>\$ -</u>	<u>\$ 21,105,495</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:	
General government	\$ 231,398
Public works	698,255
Community development	17,376
Public safety	<u>279,419</u>
Total depreciation expense - governmental activities	<u>\$ 1,226,448</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ending June 30, 2018 is as follows:

Business-Type Activities:	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,068,039	\$ -	\$ -	\$ 1,068,039
Construction in progress	65,432	905,132	(810,428)	160,136
Total	<u>1,133,471</u>	<u>905,132</u>	<u>(810,428)</u>	<u>1,228,175</u>
Depreciable capital assets:				
Buildings and improvements	10,036,351	-	-	10,036,351
Infrastructure	27,692,518	810,428	-	28,502,946
Machinery and equipment	5,703,031	429,544	-	6,132,575
Total	<u>43,431,900</u>	<u>1,239,972</u>	<u>-</u>	<u>44,671,872</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,054,193)	(109,256)	-	(6,163,449)
Infrastructure	(16,083,358)	(548,346)	-	(16,631,704)
Machinery and equipment	(5,191,339)	(136,123)	-	(5,327,462)
Total	<u>(27,328,890)</u>	<u>(793,725)</u>	<u>-</u>	<u>(28,122,615)</u>
Total capital assets, being depreciated, net	<u>16,103,010</u>	<u>446,247</u>	<u>-</u>	<u>16,549,257</u>
Business-type activities capital assets, net	<u>\$ 17,236,481</u>	<u>\$ 1,351,379</u>	<u>\$ (810,428)</u>	<u>\$ 17,777,432</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-Type Activities:	
Water	\$ 427,460
Sewer	268,301
Natural Gas	44,425
Sanitation	<u>53,539</u>
Total depreciation expense - business-type activities	<u>\$ 793,725</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – DUE TO EMPLOYEES

In 2014 the City's 401(a) plan was terminated with ICMA, and ICMA sent funds to the City regarding the forfeiture balance. These funds must be distributed into the accounts of the employees within the 401(a) plan. The City is currently going through an IRS voluntary compliance program and until completion of the review, the funds will be held by the City. As of June 30, 2018, the amount of \$748,625 is still held by the City.

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the City for governmental activities for the year ended June 30, 2018:

	Interest Rates	Original Borrowing	Final Maturity	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:								
Bonds Payable:								
1998 Series A Bonds	5.5%-6.375%	\$ 12,970,000	2022	\$ 2,590,000	\$ -	\$ (885,000)	\$ 1,705,000	\$ 385,000
2000 Series Tax Allocation Bonds	5.2%-5.85%	3,404,942	2031	3,254,942	-	(2,635,000)	619,942	-
2012 Series Revenue Bonds	3.1%-5.0%	12,830,000	2048	12,830,000	-	(205,000)	12,625,000	210,000
2009 Series A Tax Allocation Bonds	3%-6%	3,235,000	2024	1,890,000	-	(1,890,000)	-	-
2009 Series B Tax Allocation Bonds	3%-6%	2,660,000	2024	1,555,000	-	(1,555,000)	-	-
2009 Series C Tax Allocation Bonds	3%-6%	645,000	2024	395,000	-	(395,000)	-	-
Assessment District #1 Improvement Bond	5%	433,000	2021	70,000	-	(16,000)	54,000	17,000
Subtotal				22,584,942	-	(7,581,000)	15,003,942	612,000
Bond Premiums				245,880	-	(57,853)	188,027	-
Bond Discounts				(388,538)	-	12,635	(375,903)	-
Accreted Interest				1,142,310	112,192	-	1,254,502	-
Total Bonds Payable				23,584,594	112,192	(7,626,218)	16,070,568	612,000
Capital Leases Payable:								
Police Vehicles Capital Lease	7.338%	216,963	2021	169,479	-	(37,793)	131,686	40,693
Total Capital Leases Payable				169,479	-	(37,793)	131,686	40,693
Compensated absences				311,766	131,609	-	443,375	-
Governmental activities long-term liabilities				\$ 24,065,839	\$ 243,801	\$ (7,664,011)	\$ 16,645,629	\$ 652,693

The following is a summary of the long-term liabilities transactions of the City for business-type activities for the year ended June 30, 2018:

				Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Business-Type Activities:								
Loans Payable								
CalPOP Energy Efficiency Loan Payable	0.00%	\$ 220,289	2020	\$ 115,941	\$ -	\$ (46,377)	\$ 69,564	\$ 46,377
Compensated absences				101,272	-	(391)	100,881	-
Business-type activities long-term liabilities				\$ 217,213	\$ -	\$ (46,768)	\$ 170,445	\$ 46,377

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

The annual debt service requirement schedule is as follows:

Years Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2019	\$ 652,693	\$ 721,389	\$ 1,374,082	\$ 46,377	\$ -	\$ 46,377
2020	686,816	685,842	1,372,658	23,187	-	23,187
2021	731,178	646,936	1,378,114	-	-	-
2022	705,000	605,396	1,310,396	-	-	-
2023	240,000	581,309	821,309	-	-	-
2024-2028	1,657,475	3,183,309	4,840,784	-	-	-
2029-2033	2,062,466	4,786,237	6,848,703	-	-	-
2034-2038	2,155,000	1,997,500	4,152,500	-	-	-
2039-2043	2,740,000	1,431,500	4,171,500	-	-	-
2044-2048	3,505,000	709,750	4,214,750	-	-	-
	<u>\$ 15,135,628</u>	<u>\$ 15,349,168</u>	<u>\$ 30,484,796</u>	<u>\$ 69,564</u>	<u>\$ -</u>	<u>\$ 69,564</u>

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Low-Moderate Housing Asset Fund	Total Governmental Funds
Cannabis Revenue Raising Fee	\$ 63,794	\$ -	\$ 63,794
Housing loans	-	1,813,811	1,813,811
Total	<u>\$ 63,794</u>	<u>\$ 1,813,811</u>	<u>\$ 1,877,605</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN

California Public Employees' Retirement Plan (CalPERS)

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (two miscellaneous and three safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.418%	6.533%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% - 2.0%	1.426% - 2.0%
Required employee contribution rates	7.000%	9.500%
Required employer contribution rates	12.242%	9.513%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions towards the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$303 for the fiscal year ended June 30, 2018.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees' Retirement Plan (CalPERS) (Continued)

A. General Information about the Pension Plan (Continued)

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

The City's contributions to the plan that were recognized as a part of pension expense for the year ended June 30, 2018 were \$438,369.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the Plan of \$513,017.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability (asset) for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.0027%
Proportion - June 30, 2017	0.0052%
Change - Increase (Decrease)	0.0025%

For the year ended June 30, 2018, the City recognized pension expense of \$905,818. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 437,786	\$ -
Changes in assumptions	441,362	33,764
Differences between actual and expected experience	6,267	16,837
Net differences between projected and actual earnings on plan investments	97,930	-
Change in employer's proportion	-	-
Differences between the employer's actual contributions and the employer's proportionate share of contributions	175,933	-
Total	<u>\$ 1,159,278</u>	<u>\$ 50,601</u>

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees' Retirement Plan (CalPERS) (Continued)

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

\$437,786 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30		
2019	\$	219,411
2020		325,112
2021		184,075
2022		(57,707)
2023		-
Thereafter		-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
Mortality	Membership Data for all Funds ⁽³⁾

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

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

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

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

Changes of Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees' Retirement Plan (CalPERS) (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website under the GASB 68 section.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10^(a)</u>	<u>Real Return Years 11+^(b)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees' Retirement Plan (CalPERS) (Continued)

D. Discount Rate (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the City's proportionate share of the net pension liability (asset) for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount	Discount Rate +1%
6.15%	Rate 7.15%	8.15%
\$ 1,969,570.00	\$ 513,017.00	\$ (685,052.00)

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 11 – RISK MANAGEMENT

The City is a member of the Public Agency Risk Sharing Authority for 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, 2014 of \$975,000.

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

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – 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.

A. 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, 2018, no retirees were enrolled in the health insurance program.

B. Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries.

The City's deferred compensation administrator, the International City Managers' Association (ICMA) or Verisight qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

The City also offers to two employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). All amounts deferred and invested under this plan, with related interest, are the property and rights of the participating employees and, as such, are not reflected in the accompanying basic financial statements.

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. General Liability

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

B. Federal Awards and Grants

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

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – COALINGA SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the “Bill”) which dissolved all redevelopment agencies in the State of California.

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

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

A. Cash and Investments

A reconciliation of the Coalinga Successor Agency Private Purpose Trust Fund’s cash and investments as of June 30, 2018 is as follows:

Cash and investments	\$ 1,436,702
Restricted cash with fiscal agents	<u>708,302</u>
Total cash and investments	<u>\$ 2,145,004</u>

B. Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the Coalinga Successor Agency Private Purpose Trust Fund at June 30, 2018:

	Interest Rates	Original Borrowing	Final Maturity	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds Payable								
2000 Series Tax Allocation Bonds	5.2%-5.85%	\$ 3,404,942	2031	\$ 3,254,942	\$ -	\$ (2,635,000)	\$ 619,942	\$ -
2009 Series A Tax Allocation Bonds	3%-6%	3,235,000	2024	1,890,000	-	(1,890,000)	-	-
2009 Series B Tax Allocation Bonds	3%-6%	2,660,000	2024	1,555,000	-	(1,555,000)	-	-
2009 Series C Tax Allocation Bonds	3%-6%	645,000	2024	395,000	-	(395,000)	-	-
2018 Tax Allocation Refunding Bonds	2.84%	5,657,000	2025	<u>-</u>	<u>5,657,000</u>	<u>-</u>	<u>5,657,000</u>	<u>602,000</u>
Subtotal				7,094,942	5,657,000	(6,475,000)	6,276,942	602,000
Accreted Interest				<u>1,142,310</u>	<u>112,192</u>	<u>-</u>	<u>1,254,502</u>	<u>-</u>
Total long-term liabilities				<u>\$ 8,237,252</u>	<u>\$ 5,769,192</u>	<u>\$ (6,475,000)</u>	<u>\$ 7,531,444</u>	<u>\$ 602,000</u>

2018 Successor Agency Tax Allocation Refunding Bonds

In 2018, the Successor Agency of the City of Coalinga issued Tax Allocation Refunding Bonds in the aggregate principal amount of \$5,657,000 to refund the 2009 RDA Tax Allocation Bonds and a portion of the 2000 RDA Tax Allocation Bonds. This was done to take advantage of lower interest rates and to save on future debt service payments. As a result, the 2009 RDA Tax Allocation Bonds and a portion of the 2000 RDA Tax Allocation Bonds are considered defeased and the liability for those bonds is not included in fiduciary fund (private-purpose trust fund) statement of net position. The total debt service payments were reduced by \$1,214,868. The original amount of the note - \$5,657,000 – was secured by a pledge of tax revenues consisting of tax increment payments to be received by the Successor Agency. Semiannual payments range from \$7,625 to \$1,213,794 and are payable each March 15 and September 15 through 2025.

CITY OF COALINGA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – COALINGA SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND (Continued)

B. Long-Term Liabilities (continued)

2018 Successor Agency Tax Allocation Refunding Bonds (Continued)

The annual debt service requirement schedule is as follows:

Years Ending June 30	<u>Successor Agency</u>		
	Principal	Interest	Totals
2019	602,000	110,161	712,161
2020	549,000	135,766	684,766
2021	552,000	120,132	672,132
2022	570,000	104,200	674,200
2023	1,145,000	79,847	1,224,847
2023-2027	2,511,475	641,634	3,153,109
2028-2032	347,467	1,767,534	2,115,001
	<u>\$ 6,276,942</u>	<u>\$ 2,959,274</u>	<u>\$ 9,236,216</u>

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance and net position of the fund has been restated on the government-wide financial statements and fund financial statements as presented in the reconciliation below.

Reconciliations of the prior period ending net position for the Governmental Activities and the Government Wide Statement of Activities and the prior year ending fund balance in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances are as follows:

	<u>Government- Wide</u>	<u>Governmental Funds</u>
		Low-Moderate Housing Asset Special Revenue Fund
Fund balance/net position, June 30, 2017, as previously reported	\$ 33,944,268	\$ 2,368,358
Prior period adjustments:		
Overstatement of expenditures	<u>68,718</u>	<u>68,718</u>
Fund balance/net position, July 1, 2017, as restated	<u>\$ 34,012,986</u>	<u>\$ 2,437,076</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amount			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes and special assessments	\$ 3,535,200	\$ 3,535,200	\$ 4,330,161	\$ 794,961
Licenses, permits and impact fees	1,077,350	1,077,350	894,789	(182,561)
Intergovernmental	55,000	55,000	1,913,105	1,858,105
Charges for services	2,617,700	2,617,700	1,915,233	(702,467)
Fines and forfeitures	24,000	24,000	17,105	(6,895)
Rental	73,250	73,250	109,238	35,988
Other	680,786	680,786	105,120	(575,666)
Total revenues	8,063,286	8,063,286	9,284,751	1,221,465
EXPENDITURES				
Current:				
General government	867,133	867,133	873,311	(6,178)
Public works	228,045	228,045	190,749	37,296
Community development	568,092	568,092	416,732	151,360
Public safety	6,105,726	6,105,726	5,550,798	554,928
Capital outlay	51,800	51,800	107,354	(55,554)
Debt service:				
Principal	800,000	800,000	-	800,000
Total expenditures	8,620,796	8,620,796	7,138,944	1,481,852
Excess (deficiency) of revenues over (under) expenditures	(557,510)	(557,510)	2,145,807	2,703,317
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	632,167	632,167
Total other financing sources (uses)	-	-	632,167	632,167
Net changes in fund balances	(557,510)	(557,510)	2,777,974	3,335,484
Fund balances (deficit), beginning	(129,283)	(129,283)	(129,283)	-
Fund balances (deficit), ending	\$ (686,793)	\$ (686,793)	\$ 2,648,691	\$ 3,335,484

CITY OF COALINGA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Major Funds:

General Fund

Current:

General government	\$ (6,178)
Capital outlay	(55,554)

Coalinga Public Financing Authority Fund

Debt service:

Principal	(6,970,000)
Interest and fiscal charges	(418,637)

In the General Fund, excess expenditures were covered by short-term borrowings from other City Funds. In the Coalinga Public Financing Authority Fund, the excess expenditures were covered by available fund balance in the fund.

**CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2018**

	2015	2016	2017	2018
Proportion of the net pension liability	-0.0029%	-0.0057%	0.0027%	0.0052%
Proportionate share of the net pension liability (asset)	\$ (182,681)	\$ (391,805)	\$ 236,497	\$ 513,017
Covered payroll	\$ 4,816,404	\$ 4,088,221	\$ 4,943,384	\$ 4,623,178
Proportionate Share of the net pension liability as percentage of covered-employee payroll	-3.79%	-9.58%	4.78%	11.10%
Plan fiduciary net position as a percentage of the total pension liability	102.92%	-105.05%	97.39%	95.11%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - In 2017, the accounting discount rate was reduced from 7.65 to 7.15 percent.

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF COALINGA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 684,467	\$ 396,490	\$ 456,720	\$ 438,369	\$ 437,786
Contributions in relation to the actuarially determined contributions	<u>(684,467)</u>	<u>(396,490)</u>	<u>(456,720)</u>	<u>(438,369)</u>	<u>437,786</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 4,816,404	 \$ 4,088,221	 \$ 4,943,384	 \$ 4,623,178	 \$ 4,542,553
Contributions as a percentage of covered payroll	14.21%	9.70%	9.24%	9.48%	9.64%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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SUPPLEMENTARY INFORMATION

**CITY OF COALINGA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds						
	Grants Fund	Gas Tax Fund	SB1 RMRA Fund	Measure C Fund	Local Transportation Fund	Transit Fund	CalTrans Grants Fund
ASSETS							
Cash and investments	\$ 1,773,492	\$ 34,898	\$ 88,245	\$ 1,688,280	\$ 783,332	\$ -	\$ 47,788
Receivables (net of allowance for uncollectibles)	42,006	1,881	38,453	32,376	1,391	97,274	957
Total assets	<u>\$ 1,815,498</u>	<u>\$ 36,779</u>	<u>\$ 126,698</u>	<u>\$ 1,720,656</u>	<u>\$ 784,723</u>	<u>\$ 97,274</u>	<u>\$ 48,745</u>
LIABILITIES							
Accounts payable	\$ 975	24,950	1,663	190,674	975	1,614	23,253
Accrued liabilities	-	1,914	-	-	-	3,148	-
Deposits and other liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	79,675	25,492
Unearned revenue	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total liabilities	<u>975</u>	<u>26,864</u>	<u>1,663</u>	<u>190,674</u>	<u>975</u>	<u>84,437</u>	<u>48,745</u>
FUND BALANCES (DEFICITS)							
Restricted:							
Law enforcement	-	-	-	-	-	-	-
Storm drainage and flood control	-	-	-	-	-	-	-
Capital projects and improvements	1,814,523	-	-	-	-	-	-
Streets and bridges	-	-	-	-	-	-	-
Transit System	-	-	-	-	-	12,837	-
Street maintenance	-	9,915	125,035	1,529,982	-	-	-
LTF Article 8	-	-	-	-	783,748	-	-
Public buildings and facilities	-	-	-	-	-	-	-
EDA community buildings	-	-	-	-	-	-	-
EDA revolving loans	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>1,814,523</u>	<u>9,915</u>	<u>125,035</u>	<u>1,529,982</u>	<u>783,748</u>	<u>12,837</u>	<u>-</u>
Total liabilities and fund balances (deficits)	<u>\$ 1,815,498</u>	<u>\$ 36,779</u>	<u>\$ 126,698</u>	<u>\$ 1,720,656</u>	<u>\$ 784,723</u>	<u>\$ 97,274</u>	<u>\$ 48,745</u>

CITY OF COALINGA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)

	Special Revenue Funds			Capital Projects Fund	Debt Service Fund	
	COPS Grants Fund	EDA Building Rentals Fund	EDA Revolving Loans Fund	Development Impact Fees Fund	Assessment Debt Service Fund	Totals
ASSETS						
Cash and investments	\$ 79,451	\$ 49,552	\$ 58,597	\$ 686,792	\$ 168,865	\$ 5,459,292
Receivables (net of allowance for uncollectibles)	144	9,109	104	1,172	1,064	225,931
Total assets	<u>\$ 79,595</u>	<u>\$ 58,661</u>	<u>\$ 58,701</u>	<u>\$ 687,964</u>	<u>\$ 169,929</u>	<u>\$ 5,685,223</u>
LIABILITIES						
Accounts payable	-	-	-	-	1,201	245,305
Accrued liabilities	-	-	-	-	-	5,062
Deposits and other liabilities	-	5,300	-	-	-	5,300
Due to other funds	-	-	-	-	-	105,167
Unearned revenue	-	6,662	-	-	-	6,662
Advances from other funds	-	-	-	378,000	60,000	438,000
Total liabilities	<u>-</u>	<u>11,962</u>	<u>-</u>	<u>378,000</u>	<u>61,201</u>	<u>805,496</u>
FUND BALANCES (DEFICITS)						
Restricted:						
Law enforcement	79,595	-	-	-	-	79,595
Storm drainage and flood control	-	-	-	182,984	-	182,984
Capital projects and improvements	-	-	-	-	-	1,814,523
Streets and bridges	-	-	-	314,351	-	314,351
Transit System	-	-	-	-	-	12,837
Street maintenance	-	-	-	-	-	1,664,932
LTF Article 8	-	-	-	-	-	783,748
Public buildings and facilities	-	-	-	68,286	-	68,286
EDA community buildings	-	46,699	-	-	-	46,699
EDA revolving loans	-	-	58,701	-	-	58,701
Debt Service	-	-	-	-	108,728	108,728
Unassigned	-	-	-	(255,657)	-	(255,657)
Total fund balances (deficits)	<u>79,595</u>	<u>46,699</u>	<u>58,701</u>	<u>309,964</u>	<u>108,728</u>	<u>4,879,727</u>
Total liabilities and fund balances (deficits)	<u>\$ 79,595</u>	<u>\$ 58,661</u>	<u>\$ 58,701</u>	<u>\$ 687,964</u>	<u>\$ 169,929</u>	<u>\$ 5,685,223</u>

CITY OF COALINGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds						
	Grants Fund	Gas Tax Fund	SB1 RMRA Fund	Measure C Fund	Local Transportation Fund	Transit Fund	CalTrans Grants Fund
REVENUES							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and impact fees	-	-	-	-	-	-	-
Intergovernmental	114,261	355,524	126,544	434,888	-	256,358	957
Charges for services	-	-	-	-	-	21,315	-
Rental	6,861	436	154	28,385	4,351	-	-
Total revenues	121,122	355,960	126,698	463,273	4,351	277,673	957
EXPENDITURES							
Current:							
Public works	13,269	464,320	-	6,282	3,141	272,829	-
Community development	175	-	-	-	-	-	-
Capital outlay	114,261	2,270	1,663	826,397	655	-	957
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	127,705	466,590	1,663	832,679	3,796	272,829	957
Excess (deficiency) of revenues over (under) expenditures	(6,583)	(110,630)	125,035	(369,406)	555	4,844	-
OTHER FINANCING SOURCES (USES)							
Transfers out	(10,995)	-	-	-	-	-	-
Total other financing sources (uses)	(10,995)	-	-	-	-	-	-
Net changes in fund balances	(17,578)	(110,630)	125,035	(369,406)	555	4,844	-
Fund balances (deficits), beginning	1,832,101	120,545	-	1,899,388	783,193	7,993	-
Fund balances (deficits), ending	\$ 1,814,523	\$ 9,915	\$ 125,035	\$ 1,529,982	\$ 783,748	\$ 12,837	\$ -

CITY OF COALINGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Special Revenue Funds			Capital Projects Fund	Debt Service Fund	
	COPS Grants Fund	EDA Building Rentals Fund	EDA Revolving Loans Fund	Development Impact Fees Fund	Special Assessment Debt Service Fund	Totals
REVENUES						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ 88,050	\$ 88,050
Licenses, permits and impact fees	-	-	-	344,157	-	344,157
Intergovernmental	129,416	-	-	-	-	1,417,948
Charges for services	-	-	-	-	-	21,315
Rental	328	275	325	3,194	1,106	45,415
Total revenues	129,744	275	325	347,351	89,156	1,916,885
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	759,841
Community development	-	-	-	-	3,141	3,316
Capital outlay	20,416	-	-	-	-	966,619
Debt service:						
Principal	37,793	-	-	-	16,000	53,793
Interest and fiscal charges	13,006	-	-	-	12,063	25,069
Total expenditures	71,215	-	-	-	31,204	1,808,638
Excess (deficiency) of revenues over (under) expenditures	58,529	275	325	347,351	57,952	108,247
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	(10,995)
Total other financing sources (uses)	-	-	-	-	-	(10,995)
Net changes in fund balances	58,529	275	325	347,351	57,952	86,257
Fund balances (deficits), beginning	21,066	46,424	58,376	(37,387)	50,776	4,782,475
Fund balances (deficits), ending	\$ 79,595	\$ 46,699	\$ 58,701	\$ 309,964	\$ 108,728	\$ 4,868,732

CITY OF COALINGA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND – COALINGA PUBLIC FINANCING AUTHORITY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amount</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Interest	<u>\$ 1,596,909</u>	<u>\$ 1,596,909</u>	<u>\$ 1,443,089</u>	<u>\$ (153,820)</u>
Total revenues	<u>1,596,909</u>	<u>1,596,909</u>	<u>1,443,089</u>	<u>(153,820)</u>
EXPENDITURES				
Debt service:				
Principal	595,000	595,000	7,565,000	(6,970,000)
Interest and fiscal charges	<u>896,052</u>	<u>896,052</u>	<u>1,314,689</u>	<u>(418,637)</u>
Total expenditures	<u>1,491,052</u>	<u>1,491,052</u>	<u>8,879,689</u>	<u>(7,388,637)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,857</u>	<u>105,857</u>	<u>(7,436,600)</u>	<u>(7,542,457)</u>
Net changes in fund balances	105,857	105,857	(7,436,600)	(7,542,457)
Fund balances (deficit), beginning	<u>26,890,002</u>	<u>26,890,002</u>	<u>26,890,002</u>	<u>-</u>
Fund balances (deficit), ending	<u>\$ 26,995,859</u>	<u>\$ 26,995,859</u>	<u>\$ 19,453,402</u>	<u>\$ (7,542,457)</u>