



January 20, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coalinga (the City) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the City. We evaluated the key factors and assumptions used by management in computing depreciation expense and believe that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowance for doubtful accounts is based on an evaluation of collectability primarily focused on past due accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as whole.

Management's estimate of the net pension liability and related deferrals is based on actuarial valuations which include significant assumptions regarding discount rate, inflation, payroll growth, projected salary increases and investment rate of return. We evaluated the key factors and assumptions used to develop the liability and related deferrals in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the City Employees Retirement Plan in Note 10 to the financial statements provides detailed information on the pension plan including a description of the plan, benefits provided, contributions, calculations of the net pension liability and related deferrals, actuarial assumptions and discount rate used to measure the liability. The financial statement disclosures are neutral, consistent and clear.

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Difficulties Encountered in Performing the Audit

The completion of the audit was primarily delayed due to the late closing of the books by the City. This was a carryover from late issuance in prior years caused by turnover in key financial management positions. Management is working towards expediting the closing process for future years.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached corrected misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to budgetary comparison schedules, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards and the supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price Pange & Company

Client: CITY OF COALINGA
Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01		RE201			
To accrue August 2018 payment of SB1 funds at 6/30/18, per SCO SB1 Report.					
111-000-05350	Intergovernmental Receivables		22,607.08	0.00	
111-400-45160	SB1 Road Maint Rehab Funds		0.00	22,607.08	
Total			22,607.08	22,607.08	22,607.08
AJE02		D211			
To accrue cannabis revenue raising fees as unavailable revenue					
101-000-05300	Accounts Receivable Contract		63,793.75	0.00	
101-000-15001	Unavailable Revenue (PPC Account)		0.00	63,793.75	
Total			63,793.75	63,793.75	0.00
AJE03		L500			
To post current year GASB68 activity for enterprise funds					
501-000-14710	Net Pension Liability		0.00	31,308.00	
501-000-09950	Pension Deferred Outflows		0.00	47,252.00	
501-000-14720	Pension Deferred Inflows		5,403.00	0.00	
501-503-62000	Retirement CALPERS		73,157.00	0.00	
503-000-14710	Net Pension Liability		0.00	16,502.00	
503-000-09950	Pension Deferred Outflows		0.00	9,302.00	
503-000-14720	Pension Deferred Inflows		1,331.00	0.00	
503-520-62000	Retirement CALPERS		24,473.00	0.00	
502-000-14710	Net Pension Liability		0.00	22,193.00	
502-000-09950	Pension Deferred Outflows		0.00	12,738.00	
502-000-14720	Pension Deferred Inflows		1,786.00	0.00	
502-510-62000	Retirement CALPERS		33,145.00	0.00	
504-000-14710	Net Pension Liability		0.00	2,942.00	
504-000-09950	Pension Deferred Outflows		0.00	2,778.00	
504-000-14720	Pension Deferred Inflows		290.00	0.00	
504-535-62000	Retirement CALPERS		5,430.00	0.00	
Total			145,015.00	145,015.00	(136,205.00)
CJE01					
To post interest to the 2009 Tax Allocation Redevelopment trustee accounts to adjust to actual.					
820-000-02220	RDA 2009 Series A-Redev Fund		2,700.45	0.00	
820-400-44010	Interest Earned		0.00	2,700.45	
815-000-03220	RDA 2009 Series B-Housing Fund		5,825.07	0.00	
815-400-44010	Interest Earned		0.00	5,825.07	
Total			8,525.52	8,525.52	8,525.52
CJE02					
To adjust Ck#56286 Tri City Eng Inv#2646-09 Final Billing Mispsted - JN00946					
140-422-98170	CMAQ-Various Alley Paving		3,298.75	0.00	

Client: CITY OF COALINGA
Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
140-000-01300	Cash in Bank and LAIF			0.00	3,298.75
305-000-01300	Cash in Bank and LAIF		3,298.75		0.00
305-422-98940	2016 Alley Paving Project		0.00		3,298.75
Total			6,597.50	6,597.50	0.00
CJE03					
To accrue FR#9F for CML 5156(016) various alleys - JN00947					
140-000-05210	Grant Receivable		13,889.58		0.00
140-400-45370	CMAQ-Alley Improvements		0.00		13,889.58
Total			13,889.58	13,889.58	13,889.58
CJE04					
To adjust Ck#57747 Self-Help for 2018 Full HCD Monitoring - JN00949					
815-609-88115	2013 HOME Grant Expense		3,200.00		0.00
815-609-88124	2013 CDBG Grant Expense		0.00		3,200.00
Total			3,200.00	3,200.00	0.00
CJE05					
To move advertising and postage out of CDBG expense. - JN00971					
815-609-88100	Professional Services		337.53		0.00
815-609-88124	2013 CDBG Grant Expense		0.00		337.53
Total			337.53	337.53	0.00
CJE06					
To correct expenses posted to wrong grant in FY16/17 - JN00972					
815-609-88124	2013 CDBG Grant Expense		68,718.00		0.00
815-000-39990	Prior Period Adjustments		0.00		68,718.00
Total			68,718.00	68,718.00	(68,718.00)
CJE07					
To adjust ATP Cycle 2 Non-Reimbursable expensees posted to grant expense. - JN00973					
127-422-98960	ADA Imprpov-ATP Cycle 02 Exp		21,235.50		0.00
127-000-01300	Cash in Bank and LAIF		0.00		21,235.50
305-422-98960	ADA Improv-ATP Cycle 02 Exp		0.00		21,235.50
305-000-01300	Cash in Bank and LAIF		21,235.50		0.00
Total			42,471.00	42,471.00	0.00
CJE08					
To book grant receivable for Tire Amnesty Grant. - JN00974					
306-000-05210	Grant Receivable		1,887.30		0.00
306-400-46260	CA Waste Mgmt Board Tire Grant		0.00		1,887.30
Total			1,887.30	1,887.30	1,887.30

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Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
CJE09					
To book grant receivable CMAQ Trail Seg 13-14. - JN00975					
305-000-05210	Grant Receivable		472.50	0.00	
305-400-45550	CMAQ-Trail Seg 13/14 Revenue		0.00	472.50	
Total			472.50	472.50	472.50
CJE10					
To book grant receivable 2016 Alley Paving project CMAQ. - JN00976					
305-000-05210	Grant Receivable		484.23	0.00	
305-400-45570	2016 Alley Paving Proj CMAQ		0.00	484.23	
Total			484.23	484.23	484.23
CJE11					
To move grant match to Measure C for Traffic Calming & Safety Grant. - JN00977					
127-422-98900	Phelps Ave Improvements		6,821.52	0.00	
127-000-01300	Cash in Bank and LAIF		0.00	6,821.52	
140-422-98900	Traffic Calming & Safety-SGC		0.00	6,821.52	
140-000-01300	Cash in Bank and LAIF		6,821.52	0.00	
Total			13,643.04	13,643.04	0.00
CJE12					
To book grant receivable HSIPL-2013 Elm Cambridge. - JN00978					
140-000-05210	Grant Receivable		23,090.00	0.00	
140-400-45470	HSIPL-2013 Elm/Cambridge		0.00	23,090.00	
Total			23,090.00	23,090.00	23,090.00
CJE13					
To adjust 2013 CDBG expense for FY18. - JN00979					
815-609-88100	Professional Services		2.00	0.00	
815-609-88124	2013 CDBG Grant Expense		0.00	2.00	
Total			2.00	2.00	0.00
CJE14					
To adjust Ck #57792 TCE inv for PE to Measure C - JN00980					
127-422-98950	Forest Ave 1st-Elm Ave St Proj		23,252.50	0.00	
127-000-01300	Cash in Bank and LAIF		0.00	23,252.50	
305-422-98950	Forest Ave 1st-Elm Ave St Proj		0.00	23,252.50	
305-000-01300	Cash in Bank and LAIF		23,252.50	0.00	
Total			46,505.00	46,505.00	0.00
CJE15					

Client: CITY OF COALINGA
Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
To post current year Water Fund capital Asset additions					
501-000-09000	Land		0.00	0.00	
501-000-09400	Construction In Progress		880,363.00	0.00	
501-000-09400	Construction In Progress		0.00	810,428.00	
501-000-09100	Building & Structure		0.00	0.00	
501-000-09300	Fixtures & Equipment		111,788.00	0.00	
501-000-09200	Other Fixed Improvements		810,428.00	0.00	
501-503-98441	Water Revenue Bond Projects		0.00	866,348.00	
501-503-98040	Major Machinery & Equipment		0.00	11,268.00	
501-503-88100	Professional Services		0.00	14,015.00	
501-508-98040	Major Machinery & Equipment		0.00	100,520.00	
Total			1,802,579.00	1,802,579.00	992,151.00
CJE16					
To post current year Water Fund depreciation expense					
501-000-09900	Allowance For Depreciation		0.00	427,460.00	
501-508-94010	Depreciation Expense		427,460.00	0.00	
Total			427,460.00	427,460.00	(427,460.00)
CJE17					
To post current year Sewer Fund capital asset additions					
503-000-09000	Land		0.00	0.00	
503-000-09400	Construction in Progress		16,269.00	0.00	
503-000-09400	Construction in Progress		0.00	0.00	
503-000-09300	Fixtures & Equipment		216,590.00	0.00	
503-520-84020	Major Equip Repairs & Maint.		0.00	5,846.00	
503-520-98040	Major Machinery & Equipment		0.00	121,463.00	
503-521-98040	Major Machinery & Equipment		0.00	105,550.00	
Total			232,859.00	232,859.00	232,859.00
CJE18					
To post current year Sewer Fund depreciation expense					
503-000-09900	Allowance For Depreciation		0.00	268,301.00	
503-520-94010	Depreciation Expense		268,301.00	0.00	
Total			268,301.00	268,301.00	(268,301.00)
CJE19					
To post current year Natural Gas capital asset additions					
502-000-09400	Construction in Progress		8,500.00	0.00	
502-000-09300	Fixtures & Equipment		101,166.00	0.00	
502-510-98040	Major Machinery & Equipment		0.00	109,666.00	
Total			109,666.00	109,666.00	109,666.00

Client: CITY OF COALINGA
Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Corrected Audit Adjustments

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
CJE20					
To post current year Natural Gas depreciation expense					
502-000-09900	Allowance For Depreciation		0.00	44,425.00	
502-510-94010	Depreciation Expense		44,425.00	0.00	
Total			44,425.00	44,425.00	(44,425.00)
CJE21					
To post current year Sanitation Fund depreciation expense					
504-000-09900	Allowance For Depreciation		0.00	53,539.00	
504-535-94010	Depreciation Expense		53,539.00	0.00	
Total			53,539.00	53,539.00	(53,539.00)
CJE22					
To close out HOME grant FY2018. - JN00942					
304-400-48120	Operating Transfer In		0.00	10,994.73	
304-000-01300	Cash in Bank and LAIF		10,994.73	0.00	
140-404-94070	Operating Transfer Out		10,994.73	0.00	
140-000-01300	Cash in Bank and LAIF		0.00	10,994.73	
Total			21,989.46	21,989.46	0.00
GRAND TOTAL			3,422,057.49	3,422,057.49	406,984.21

Client: CITY OF COALINGA
Engagement: 6-30-18 Audit
Current Period: 06/30/2018
Workpaper: Attachment: Uncorrected Audit Differences

Account	Description	Misstatement	Workpaper Reference	Debit	Credit	Net Income Effect
PJE01		Known Misstatement	D200			
To reclassify receivables collected after 60 days as unavailable.						
101-400-40020	Prior Year Secured			26,615.00	0.00	
101-000-15001	Unavailable Revenue (PPC Account)			0.00	26,615.00	
Total				<u>26,615.00</u>	<u>26,615.00</u>	<u>(26,615.00)</u>
GRAND TOTAL				<u>26,615.00</u>	<u>26,615.00</u>	<u>(26,615.00)</u>