

CITY OF REEDLEY
REEDLEY, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

1423 Eleventh Street
P O Box 1057
Reedley CA 93654

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

INDEPENDENT AUDITOR'S REPORT

December 15, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Reedley, State of California, as of and for the year ended June 30, 2014 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 in 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Reedley, State of California, as of June 30, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages four through twelve and the budgetary comparison information on pages 52 through 56 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 inquires 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedley's basic financial statements. The combining and individual nonmajor fund financial statements on pages 50 and 51 and the schedule of expenditures of federal financial assistance on page 62, as required by *Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information referred to in the preceding paragraph is the responsibility of management and was derived from and relates 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 supplementary information referred to in the preceding paragraph is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

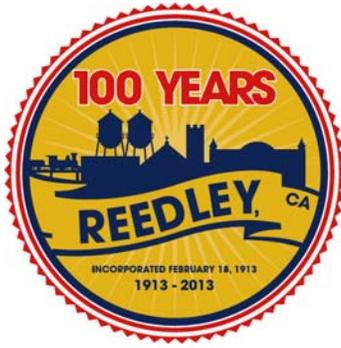
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedley financial statements. The schedule of expenditures of federal financial assistance on page 62, as required by *Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal financial assistance is fairly stated in all material respects in relation to the 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 December 15, 2014 on our consideration of City of Reedley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants



City of Reedley

City Hall
1717 Ninth Street
Reedley, CA 93654
(559) 637-4200

CITY OF REEDLEY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

As management of the City of Reedley, we offer readers of the City of Reedley's financial statements this narrative overview and analysis of the financial activities of the City of Reedley for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- The assets of the City of Reedley exceeded its liabilities as of June 30, 2014 by \$59,689,654. Of this amount, unrestricted net position of \$16,105,158 may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2013, the assets of the City exceeded its liabilities by \$48,296,122, with unrestricted net position totaling \$16,388,688.
- Total net position increased by \$11,393,532 during the year ended June 30, 2014. Net position associated with governmental activities increased by \$9,076,820 while net position associated with business-type activities increased by \$2,316,712. For the year ended June 30, 2013, total net position decreased by \$918,135, with net position associated with governmental activities increasing by \$76,516 and net position associated with business-type activities decreasing by \$994,651.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,429,594 an increase of \$439,296 compared with the prior year. Of this amount, \$8,264,109 is available for spending and \$2,165,485 is restricted or otherwise designated for specific future uses. For the year ended June 30, 2013, the City's governmental funds had combined ending fund balances of \$9,990,298, with \$5,764,323 being available for spending and \$4,225,975 restricted for specific future uses. The combined ending fund balances as of June 30, 2013 represented a decrease of \$249,778 over the June 30, 2012 combined ending fund balances.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,870,662 or 40 percent of general fund expenditures for the year ended June 30, 2014. The general fund fund balance increased by \$425,013 for the year ended June 30, 2014. At the end of the prior fiscal year, the fund balance of the general fund was \$2,445,649, or 35 percent of that year's general fund expenditures. The general fund fund balance increased by \$150,618 during the prior year.
- The City's total debt obligations (including post retirement benefits) decreased by \$1,630,586. This was mostly attributable to decreases in proprietary funds long-term obligations of \$2,030,429. During the prior year, total debt obligations decreased by \$1,437,806.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Reedley's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, community development and other charges. The major business-type activities of the City include water, sewer and solid waste disposal systems, as well as airport activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balance provide reconciliations to facilitate this comparison between the two.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balance for the general fund which is considered a major fund and four special revenue funds which are presented separately for the purpose of consistency. Data from the other nine special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and all special revenue funds. Budgetary comparison statements have been provided for the general fund and the four major special revenue funds to demonstrate compliance with the 2013/2014 budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenue, expense and changes in fund net position for all four enterprise funds.

An internal service fund is used to accumulate and allocate costs internally among the City's various functions. The City uses one internal service fund to account for its fleet maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included principally within governmental activities in the government-wide financial statements, but is presented separately in the proprietary funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with the nonmajor funds are presented immediately after the basic financial statements. Also included are budgetary comparisons for the major governmental funds. Finally, reports related to the City's federal financial assistance programs are presented.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2014, the City's assets exceeded liabilities by \$59,689,654. By far, the largest portion of the City's net position (71 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules represent a summary of the City's net position and activities for the year ended June 30, 2014, with a comparison to the total net position and activities for the year ended June 30, 2013:

City of Reedley's Net Position

	Governmental Activities	Business-Type Activities	Current Year Total	Prior Year Total
Current and other assets	\$ 13,410,950	\$ 6,714,523	\$ 17,825,797	\$ 17,934,733
Capital assets and deferred charges	<u>29,345,467</u>	<u>56,358,504</u>	<u>85,703,971</u>	<u>75,832,089</u>
Total assets	<u>42,756,417</u>	<u>63,073,027</u>	<u>103,529,768</u>	<u>93,766,822</u>
Long-term liabilities	338,896	40,616,438	40,955,334	43,032,825
Other liabilities	<u>2,928,701</u>	<u>2,255,755</u>	<u>2,884,780</u>	<u>2,437,875</u>
Total liabilities	<u>3,267,597</u>	<u>42,872,193</u>	<u>43,840,114</u>	<u>45,470,700</u>
Invested in capital assets, net of related debt	28,950,569	13,178,938	42,129,507	31,896,830
Restricted		1,454,989	1,454,989	10,604
Unrestricted	<u>10,538,251</u>	<u>5,566,907</u>	<u>16,105,158</u>	<u>16,388,688</u>
Total net position	<u>\$ 39,488,820</u>	<u>\$ 20,200,834</u>	<u>\$ 59,689,654</u>	<u>\$ 48,296,122</u>

City of Reedley's Changes in Net Position

	Governmental Activities	Business-Type Activities	Current Year Total	Prior Year Total
Program revenue				
Charges for services	\$ 2,245,023	\$ 11,294,084	\$ 13,539,107	\$ 12,862,679
Capital grants and contributions	8,375,065	1,292,599	9,667,664	1,975,453
Operating grants and contributions	5,751,192	162,500	5,913,692	5,839,210
General revenue, including transfers	<u>3,577,488</u>	<u>(91,496)</u>	<u>3,485,992</u>	<u>3,161,826</u>
Total revenue	<u>19,948,768</u>	<u>12,657,687</u>	<u>32,606,455</u>	<u>23,839,168</u>
Expense				
Public safety	6,196,119		6,196,119	6,734,066
Public works	2,438,184		2,438,184	2,481,264
Community services	1,280,276		1,280,276	1,360,619
Administration and finance	596,783		596,783	647,536
Community development	360,586		360,586	588,265
Sewer		4,065,158	4,065,158	6,258,628
Water		3,127,401	3,127,401	3,445,244
Disposal		2,792,793	2,792,793	2,932,362
Airport		<u>355,623</u>	<u>355,623</u>	<u>309,319</u>
Total expense	<u>10,871,948</u>	<u>10,340,975</u>	<u>21,212,923</u>	<u>24,757,303</u>
Increase in net position	9,076,820	2,316,712	11,393,532	(918,135)
Net position, beginning of year	<u>30,412,000</u>	<u>17,884,122</u>	<u>48,296,122</u>	<u>49,214,257</u>
Net position, end of year	<u>\$ 39,488,820</u>	<u>\$ 20,200,834</u>	<u>\$ 59,689,654</u>	<u>\$ 48,296,122</u>

Governmental activities. Governmental activities increased the City's net position by \$9,076,820 accounting for one-quarter percent of the total growth in net position. Key elements of this increase are as follows:

- Charges for services increased by \$552,438 during the year. This increase was due primarily to increases in public works and community development revenue.
- Operating grants and contributions increased by \$19,729.
- Capital grants and contributions increased by \$6,997,843.
- General revenue, including transfers in/(out), increased by \$490,492.
- Expense decreased by \$939,802.

Business-type activities. Business-type activities increased the City's net position by \$2,316,712, accounting for 20 percent of the increase in the City's net position. This was due primarily to an increase in capital grants of \$694,368 and a decrease in expense of \$2,604,578. The sewer, water and disposal activities all generated net profits in operating income (operating revenue less operating expense) while only the airport activity had an operating loss in the current year.

Financial Analysis of the City's Funds

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

Governmental funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$10,429,594, an increase of \$439,296 in comparison to the prior year. Of this amount, \$7,581,835 (73 percent) was unassigned, which is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1,045,467) or assets that will not be converted to cash within the next twelve months (\$1,120,018).

The general fund is the City's chief operating fund. At the end of the current fiscal year, the spendable portion of the fund balance of the general fund was \$1,745,051 while the total fund balance was \$2,870,662. As a measure of the general fund's liquidity, it may be useful to compare both the spendable portion of the fund balance and total fund balance to total fund expenditures. Spendable portion of the fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 40 percent of the same amount.

The fund balance of the City's general fund increased by \$425,013 during the year ended June 30, 2014. Expenditures increased by two percent and revenue increased by five percent resulting in an excess of expenditures over revenue of \$17,563. There was \$737,942 transferred from other funds to the general fund and \$295,366 transferred from the general fund to other funds.

Special revenue funds have a combined fund balance of \$7,558,932. Of that amount, \$682,274 is assigned to liquidate contracts and purchase orders and \$1,045,467 is restricted by external entities for various activities.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds were \$5,566,907 as of June 30, 2014. The total increase in the net position of the proprietary funds was \$2,316,712 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final general fund budgeted expenditures were greater than the original budgeted expenditures by \$165,796. Actual expenditures were \$147,117 less than final budgeted expenditures. Final anticipated revenue was \$63,964 greater than original anticipated revenue. Actual total revenue was \$594,500 greater than the final anticipated revenue.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$84,259,541 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, automobiles, equipment and street lights. In addition, all sidewalks, bridges and roads within the city limits belong to the City.

Major capital asset events during the year ended June 30, 2014 included the following:

- Various vehicle and equipment purchases amounted to \$313,449.
- Various infrastructure improvements amounted to \$10,286,309.

Additional information on the City's capital assets can be found in note three.

Long-term liabilities. As of June 30, 2014, the City had \$41,308,386 in outstanding long-term debt consisting of three revenue bond issues (\$17,265,000), one loan from the State of California (\$23,035,448), two long-term loans (\$669,042), one capital lease (\$126,446) and compensated absences (\$212,450). The revenue bonds are obligations of the water and sewer funds and principal payments on the bonds during the year reduced the amount owed by \$580,000. The capital lease is an obligation of the governmental funds. Principal payments on the leases during the year reduced the amounts owed by \$266,364. There was a \$1,169,862 principal reduction in the loan payable to the State of California which is also an obligation of the sewer fund. The other loan payable, which is due to the General Fund of the City had no principal reduction.

The City's total debt (including compensated absences and other long-term liabilities) decreased by \$2,077,491 during the year ended June 30, 2014, mostly attributable to the loan repayment to the State of California of \$1,169,862 for sewer plant expansion and revenue bond principal payments of \$580,000. Compensated absences payable increased by \$12,745 during the year.

Additional information on the City's long-term liabilities can be found in notes four and five.

Economic Factors and Next Year's Budget

For the first time in a number of years, the City's budget is proposed to be very close to "structurally balanced", meaning that one-time funds are not being used for on-going expenses. This is quite an achievement in today's uncertain economic environment, and the credit for such a responsible use of funds belongs to the City Council which has provided sound and conservative leadership through the policy

decisions it has made over the course of the past year. Two of the most obvious symbols of the prudent leadership are the recent credit rating upgrade of the City by Standard & Poor's, and the fact that the balance sheet for FY14 shows a surplus of over \$235,000 which is slated to be used for a contingency fund for pension increases that are expected to begin phasing in by FY 2015-2016, and medical premium increases due to the Affordable Care Act.

General Fund and Reserves

In April 2014, the City Council adopted Resolution 2014-027 which established, for the first time, a policy for the City to work towards and maintain a minimum level of cash on hand, equivalent to 60 days operating expenditures, in the City's General Fund Reserve. The value of two months of operating expenditures to be held in the General Fund Reserve is to be re-calculated every July, at the close of the previous fiscal year, and the 'cash on hand' in the General Fund Reserve fund is the valuation measure to determine the target reserve fund balance. The average monthly expenditures from the General Fund for the 2014-14 fiscal year were \$619,767, therefore the 60-day reserve threshold amount is now \$1,239,534. As of June 30, 2014, the cash on hand in the General Fund Reserve fund was \$930,127; therefore, the cash on hand was \$309,407 short of meeting the target as set forth in the policy. In October 2014, the City Council authorized a \$200,000 contribution to the General Fund Reserve, derived from higher than anticipated carryover in the General Fund from FY 2013-14, which brought the cash on hand to within \$109,407 of meeting the current reserve target.

The FY 2014-15 Adopted Budget calls for General Fund expenditures of \$8,179,177, which reflects an increase of \$1,043,173 or 14.6% from the 2013-14 Adopted Budget. The majority of the increase in appropriations is due to capital outlays derived from grant funding. The FY 2013-14 Adopted Budget forecasted a General Fund balance of \$235,542 as of June 30, 2014. Due to a multitude of factors, including a close watch on expenditures by staff and making proactive moves to lower costs and increase revenues, as well as a steady economic rebound, the actual General Fund balance was \$881,645 as of June 30, 2014. The higher carryover amount into FY 2014-15 provided the City Council the ability to contribute \$200,000 to the General Fund Reserve in October 2014.

For FY 2014-15, total General Fund revenue is forecasted to be \$7,735,111. This is 5.75% higher than the FY 2013-14 year end estimate, primarily due to pass-thru revenue from grants that will be used for capital projects. Typical to many California cities, three revenue streams dominate the General Fund; Sales Tax, Vehicle License Fees and Property Tax. For FY 2014-15, these three revenue streams are anticipated to make up 58% of the total revenue in the General Fund, which is an improvement over the previous year, when these three revenue streams were 63% of the total.

Enterprise Funds

In February 2014, the City Council adopted Resolution 2014-017 which establishes, for the first time, a policy for the City to maintain a minimum level of working capital, equivalent to 45 days operating expenditures, in the City's Water, Wastewater, and Solid Waste enterprise funds. As of June 30, 2014, all three Enterprise funds exceeded the reserve thresholds established in the policy. Utility service rates continue to be revised annually for a Consumer Price Index factor, and implemented consistent with current rate studies and Proposition 118 requirements. The City is poised to maintain appropriate reserve ratios for bond debt coverage as called for in the bond covenants.

Standard & Poor's Ratings Services has completed their annual review of the City's Water & Wastewater Revenue Bonds. For 2014, the rating on the 2007 Wastewater Revenue Bonds has been upgraded from "BBB+" to "A-". In 2014, the rating of the City's 2007 Water Revenue Bonds was upgraded from "A-" to "A". Each Enterprise division is still seeking further efficiencies and expense reductions in order to provide rate relief to Reedley constituents and continue to set aside funding for future capital improvement requirements. An example of our efforts was capturing the additional revenue and reduced costs of

approximately \$175,000 annually in the Solid Waste Enterprise fund by bringing commercial and residential recycling services in-house in FY 2013-14. The more money the City can save in operations, the lower the future rate increases will need to be. In addition to savings that can be garnered, each Enterprise Fund is susceptible to swings in utility and commodity prices, such as diesel fuel, electricity, and natural gas. It is this susceptibility that causes staff to be cautious and aware with each enterprise fund budget as we move into 2014-15.

New Enterprise capital funds will be established for FY 2014-15 to serve as a capital set aside funds for capital projects. The historical practice has been funding for day-to-day operational expenditures such as salaries, supplies, and fuel are comingled with funds that are needed for longer term uses, such as equipment/facility replacement and large scale infrastructure rehabilitation projects. A dedicated capital fund significantly assists staff in the complex task of long-term capital planning. These capital funds will be subject to the same restrictions as the existing enterprise funds, in that only activities directly related to the utility may be accounted for in the funds.

Sales Tax Revenue

For FY 14-15, staff estimates the City will receive \$1,631,724 in sales tax revenue, a 2.85% increase over the FY 13-14 year end estimate. Like most other cities, Reedley has experienced a slow recovery in sales tax revenue since the 2009-10 fiscal year. For FY 14-15, staff estimates the City will receive \$1,071,564 in public safety sales tax revenue, a 1.34% increase over the FY 2013-14 year end estimate. Sales tax is a relatively volatile revenue source, and will continue to be budgeted conservatively.

Property Tax Revenue

Secured Property tax revenue is estimated to come in 6.45% higher than the FY 2013-14 Budget level of \$872,776. For FY 2014-15, the budget assumes an additional 5%+ growth rate over year-end estimates in Secured Property Tax revenue over due a modest rebound in the housing market.

Labor Costs/Memorandum of Understanding (MOU)

The City has two-year Agreements with both labor units that end June 30, 2015. Employees covered by these Agreements will not be asked to give back any pay or benefits. The General Services Unit, comprised mostly of Enterprise-funded employees, will receive a 2.0% COLA in FY 2014-15, and the Law Enforcement Unit will receive a 2.0% COLA.

Beginning January 1, 2014, unrepresented employees (including management) began contributing 50% of the employee share of pension contributions (3.5% of 7.0%) with an offsetting COLA of 5.0% that results in an approximate 1.0% increase to take-home pay. Most recently, the City Council authorized unrepresented employees to contribute the remaining 50% of the employee share beginning January 1, 2015, with the same offsetting COLA. The cost to the City was approximate to a traditional 2.0% COLA while accomplishing an important policy objective of employees paying their share of pension costs.

Effective January 1, 2014, the City has transferred medical plan providers, moving from CalPERS to the San Joaquin Valley Insurance Authority (SJVIA), a JPA of local cities and counties in the Valley that joined together to self-fund medical benefits. The benefits provided to staff remained equivalent, with the City of Reedley picking up 100% of the cost for premium based upon an average of the two lowest cost plans available. The SJVIA has proven to be a cost effective alternative, with just a 1.17% increase to PPO & HMO plans and a 5% increase to the Kaiser plan for the 2015 plan year. The City is also continuing to generate savings from creating a self-funded dental benefit in 2014 that is generating a 25% savings over what we would have paid in traditional premiums, with no impact to service levels.

Pre-Payment of Pension Contributions

The FY 2014-15 Budget includes an assumption of savings derived from pre-payment of employer pension contributions for 'Miscellaneous' full-time employees. 'Miscellaneous' employees are any full-time employee that is not classified as a sworn police or fire employee. Essentially, the City will pre-pay the estimated employer pension contribution in early July 2014 of \$435,338. Based on the new employer contribution rates for FY 2014-15, electing to pre-pay these contributions for 'Miscellaneous' employees will save the City almost \$60,000 next year, of which approximately \$20,000 is General Fund savings and \$24,000 savings to the enterprise funds, with the remainder to other City funds. The primary reason that this option saves the City money is that CalPERS can invest our full annual payment at a much higher rate of return than the City otherwise could in our investment vehicles.

Risk Management

The City continues to be covered for worker's compensation, liability, crime, auto, property, and employer's liability insurance, with coverage that pooled with 52 other cities in the Central San Joaquin Valley Risk Management Authority (CSJVRMA). Overall premiums for all coverage areas are assumed to increase 21% in FY 14-15, from \$714,975 to \$865,840. This increase is incorporated into the Proposed Budget, and broken down by coverage area, below:

- Worker's Compensation, 17% increase
- Liability, 21% increase
- Auto, 62% increase (partially from effects of adding previously uninsured vehicles)
- Property, 47% (increase assumes appraisal fee for all City owned properties)
- Employee Assistance Program, 3% increase
- Employment Practices Liability, 24% increase

Premiums for these coverage areas were re-balanced between City funds for FY 14-15, to better reflect each fund's proportional share of the overall coverage.

Workers Compensation Special Assessment

In November 2014, the City Council received an update on the City's liability and worker's compensation programs through the CSJVRMA. In the area of Workers' Compensation, starting in FY 2014-15, the City will have a special assessment over three years due to past claims that exceeded the amount the City has paid into the system. The first year of the special assessment, FY14-15, will not impact the City finances, as projected refunds from retrospective adjustments will cover the assessment this year. In FY 15-16 and FY 16-17, however, no retrospective refunds are anticipated, so the City will need to be prepared to cover the anticipated costs in Years 2 and 3 of \$205,653 and \$188,632, respectively.

Five-Year Capital Improvement Plan

This year's budget continues to include a five-year capital improvement plan (CIP). The CIP contained in the 2014-15 Adopted Budget includes both funded projects and identifies unfunded needs for each Department. The CIP will continue to be refined and become more comprehensive each update. The unfunded projects identified in the CIP total approximately \$18.1 million. There are many variables that will continue to affect the unfunded projects, such as receipt of grant funding, re-prioritization of project timing, changes to economic condition, and finding alternative ways of meeting needs or providing services.

Requests for Information

This financial report is designed to provide a general overview of the City of Reedley's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information can be sent to the Director of Finance & Administrative Services, City of Reedley, 845 G. Street, Reedley, California 93654.

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF REEDLEY
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Totals - Reporting Entity</u>
Assets			
Cash and cash equivalents	\$ 7,735,431	\$ 6,352,801	\$ 14,088,232
Accounts receivable	2,579,609	252,190	2,831,799
Deposit	5,000		5,000
Due from primary government	2,299,676		
Due from State of California	761,966		761,966
Inventory	29,268	109,532	138,800
Restricted assets - cash		1,444,430	1,444,430
Capital assets (net of allowance for depreciation)	<u>29,345,467</u>	<u>54,914,074</u>	<u>84,259,541</u>
Total assets	<u>42,756,417</u>	<u>63,073,027</u>	<u>103,529,768</u>
Liabilities			
Accounts payable and accrued expense	651,421	1,355,425	2,006,846
Accrued payroll and related costs	409,607	216,504	626,111
Deposits		251,823	251,823
Due to primary government	1,867,673	432,003	
Long-term liabilities			
Due within one year	62,056	1,873,893	1,935,949
Due in more than one year	<u>276,840</u>	<u>38,742,545</u>	<u>39,019,385</u>
Total liabilities	<u>3,267,597</u>	<u>42,872,193</u>	<u>43,840,114</u>
Net position			
Invested in capital assets, net of related debt	28,950,569	13,178,938	42,129,507
Restricted		1,454,989	1,454,989
Unrestricted	<u>10,538,251</u>	<u>5,566,907</u>	<u>16,105,158</u>
Total net position	<u>\$ 39,488,820</u>	<u>\$ 20,200,834</u>	<u>\$ 59,689,654</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net position		Totals - Reporting Entity
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
Public safety	\$ 6,196,119	\$ 107,987	\$ 3,662,999	\$ 25,000	\$ (2,400,133)	\$	(2,400,133)
Public works	2,438,184	1,377,000	955,195	8,350,065	8,244,076		8,244,076
Community services	1,280,276	204,742	666,321		(409,213)		(409,213)
Administration and finance	596,783	181,305	466,020		50,542		50,542
Community development	<u>360,586</u>	<u>373,989</u>	<u>657</u>		<u>14,060</u>		<u>14,060</u>
Total governmental activities	<u>10,871,948</u>	<u>2,245,023</u>	<u>5,751,192</u>	<u>8,375,065</u>	<u>5,499,332</u>		<u>5,499,332</u>
Business-type activities							
Water	3,127,401	2,935,629	94,618	556,206		459,052	459,052
Sewer	4,065,158	5,046,700	28,733			1,010,275	1,010,275
Disposal	2,792,793	3,080,099	36,459	618,490		942,255	942,255
Airport	<u>355,623</u>	<u>231,656</u>	<u>2,690</u>	<u>117,903</u>		<u>(3,374)</u>	<u>(3,374)</u>
Total business- type activities	<u>10,340,975</u>	<u>11,294,084</u>	<u>162,500</u>	<u>1,292,599</u>		<u>2,408,208</u>	<u>2,408,208</u>
Total primary government	<u>\$ 21,212,923</u>	<u>\$ 13,539,107</u>	<u>\$ 5,913,692</u>	<u>\$ 9,667,664</u>	<u>5,499,332</u>	<u>2,408,208</u>	<u>7,907,540</u>
General revenue							
Property taxes					1,266,562	6,384	1,272,946
Sales taxes					1,582,979		1,582,979
Franchise and other taxes					410,917		410,917
Insurance refunds and other					119,176		119,176
Unrestricted investment earnings					47,854	52,120	99,974
Transfers in/(out) - net					<u>150,000</u>	<u>(150,000)</u>	
Total general revenue and transfers					<u>3,577,488</u>	<u>(91,496)</u>	<u>3,485,992</u>
Change in net position					9,076,820	2,316,712	11,393,532
Net position, beginning of year					<u>30,412,000</u>	<u>17,884,122</u>	<u>48,296,122</u>
Net position, end of year					<u>\$ 39,488,820</u>	<u>\$ 20,200,834</u>	<u>\$ 59,689,654</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue					Total Governmental Funds	
	General	Gas Tax	Street Projects	Public Safety Sales Tax	Developer Impact Fees		Nonmajor Funds
Assets							
Cash and cash equivalents	\$ 1,934,763	\$ 143,349	\$	\$ 673,656	\$ 4,146,990	\$ 771,808	\$ 7,670,566
Accounts receivable	99,002		2,412,172	9,426	7,366	51,493	2,579,459
Due from State of California	761,966						761,966
Due from other funds	353,052				1,946,624		2,299,676
Deposit	<u>5,000</u>						<u>5,000</u>
	<u>\$ 3,153,783</u>	<u>\$ 143,349</u>	<u>\$ 2,412,172</u>	<u>\$ 683,082</u>	<u>\$ 6,100,980</u>	<u>\$ 823,301</u>	<u>\$ 13,316,667</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable and accrued expense	\$ 46,714	\$ 320	\$ 314,718	\$ 2,673	\$ 222,748	\$ 36,217	\$ 623,390
Accrued wages and related costs	236,407	52,567		72,068	7,861	27,107	396,010
Due to other funds			<u>1,750,790</u>			<u>116,883</u>	<u>1,867,673</u>
Total liabilities	<u>283,121</u>	<u>52,887</u>	<u>2,065,508</u>	<u>74,741</u>	<u>230,609</u>	<u>180,207</u>	<u>2,887,073</u>
Fund balance							
Nonspendable	1,120,018						1,120,018
Restricted		90,462	346,664	608,341			1,045,467
Assigned	5,593				5,457	671,224	682,274
Unassigned/(deficit)	<u>1,745,051</u>				<u>5,864,914</u>	<u>(28,130)</u>	<u>7,581,835</u>
Total fund balance	<u>2,870,662</u>	<u>90,462</u>	<u>346,664</u>	<u>608,341</u>	<u>5,870,371</u>	<u>643,094</u>	<u>10,429,594</u>
	<u>\$ 3,153,783</u>	<u>\$ 143,349</u>	<u>\$ 2,412,172</u>	<u>\$ 683,082</u>	<u>\$ 6,100,980</u>	<u>\$ 823,301</u>	<u>\$ 13,316,667</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances	\$ 10,429,594
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	29,257,958
The internal service fund is used to charge the costs of automotive equipment activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	140,164
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(338,896)</u>
Net position of governmental activities	<u>\$ 39,488,820</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue					Nonmajor Funds	Total Governmental Funds
	General	Gas Tax	Street Projects	Public Safety Sales Tax	Developer Impact Fees		
Revenue							
Intergovernmental	\$ 2,335,059	\$ 347,183	\$ 7,538,568	\$	\$	\$ 1,164,554	\$ 11,385,364
Taxes	3,244,585	434,897		1,060,794		494,855	5,235,131
Charges for services	1,042,957				1,340,714	197,933	2,581,604
Licenses and permits	281,712						281,712
Other	135,667		50	9,426		26,782	171,925
Interest	<u>51,973</u>	<u>272</u>	<u>19,899</u>	<u>7,381</u>	<u>56,494</u>	<u>7,013</u>	<u>143,032</u>
Total revenue	<u>7,091,953</u>	<u>782,352</u>	<u>7,558,517</u>	<u>1,077,601</u>	<u>1,397,208</u>	<u>1,891,137</u>	<u>19,798,768</u>
Expenditures							
Public works	503,088	697,709	7,902,708		742,904	1,371,968	11,218,377
Public safety	4,756,338			1,160,419	22,451	66,101	6,005,309
Community services	918,169					356,191	1,274,360
Administration and finance	577,252					13,615	590,867
Community development	354,669						354,669
Debt service				<u>65,890</u>			<u>65,890</u>
Total expenditures	<u>7,109,516</u>	<u>697,709</u>	<u>7,902,708</u>	<u>1,226,309</u>	<u>765,355</u>	<u>1,807,875</u>	<u>19,509,472</u>
Revenue over/(under) expenditures	(17,563)	84,643	(344,191)	(148,708)	631,853	83,262	289,296
Other financing sources/(uses)							
Operating transfers in/(out)-net	<u>442,576</u>		<u>150,000</u>			<u>(442,576)</u>	<u>150,000</u>
Net change in fund balance	425,013	84,643	(194,191)	(148,708)	631,853	(359,314)	439,296
Fund balance, beginning of year	<u>2,445,649</u>	<u>5,819</u>	<u>540,855</u>	<u>757,049</u>	<u>5,238,518</u>	<u>1,002,408</u>	<u>9,990,298</u>
Fund balance, end of year	<u>\$ 2,870,662</u>	<u>\$ 90,462</u>	<u>\$ 346,664</u>	<u>\$ 608,341</u>	<u>\$ 5,870,371</u>	<u>\$ 643,094</u>	<u>\$ 10,429,594</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance - total governmental funds	\$ 439,296
Amounts reported for governmental activities in the statement of activities are different because:	
The internal service fund change in net position	90,990
Net increase in compensated absences payable	(12,745)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation outlay in the current period.	
	8,499,472
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term liabilities principal reduction during the current period.	
	<u>59,807</u>
Change in net position of governmental activities	<u>\$ 9,076,820</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Assets						
Current assets						
Cash and cash equivalents	\$ 1,078,157	\$ 4,050,046	\$ 1,224,598	\$	\$ 6,352,801	\$ 64,865
Accounts receivable	70,161	109,063	69,845	3,121	252,190	150
Inventory	<u>46,290</u>	<u>63,242</u>	<u></u>	<u></u>	<u>109,532</u>	<u>29,268</u>
Total current assets	<u>1,194,608</u>	<u>4,222,351</u>	<u>1,294,443</u>	<u>3,121</u>	<u>6,714,523</u>	<u>94,283</u>
Other assets						
Restricted assets - cash	1,011,054	433,376			1,444,430	
Property, plant and equipment (net of allowance for depreciation)	<u>16,905,011</u>	<u>33,277,523</u>	<u>1,158,369</u>	<u>3,573,171</u>	<u>54,914,074</u>	<u>87,509</u>
Total other assets	<u>17,916,065</u>	<u>33,710,899</u>	<u>1,158,369</u>	<u>3,573,171</u>	<u>56,358,504</u>	<u>87,509</u>
Total assets	<u>19,110,673</u>	<u>37,933,250</u>	<u>2,452,812</u>	<u>3,576,292</u>	<u>63,073,027</u>	<u>181,792</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Liabilities						
Current liabilities						
Accounts payable and accrued expense	\$ 718,064	\$ 598,672	\$ 34,458	\$ 4,231	\$ 1,355,425	\$ 28,031
Accrued wages and related costs	60,868	70,023	82,419	3,194	216,504	13,597
Deposits	246,383			5,440	251,823	
Current portion of noncurrent liabilities	405,954	1,467,939		44,589	1,918,482	
Due to other funds				78,951	78,951	
Total current liabilities	1,431,269	2,136,634	116,877	136,405	3,821,185	41,628
Noncurrent liabilities						
Revenue bonds payable	13,180,000	3,485,000			16,665,000	
Notes payable	240,036	21,837,509			22,077,545	
Advances from other funds				308,463	308,463	
Total liabilities	14,851,305	27,459,143	116,877	444,868	42,872,193	41,628
Net Position						
Invested in capital assets, net of related debt	2,480,639	5,966,759	1,158,369	3,573,171	13,178,938	87,509
Restricted	1,011,054	433,376		10,559	1,454,989	
Unrestricted/(deficit)	767,675	4,073,972	1,177,566	(452,306)	5,566,907	52,655
Total net position	\$ 4,259,368	\$ 10,474,107	\$ 2,335,935	\$ 3,131,424	\$ 20,200,834	\$ 140,164

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Operating revenue						
Charges for services						
User fees	\$ 2,935,629	\$ 5,046,700	\$ 3,080,099	\$ 138,695	\$ 11,201,123	\$ 983,292
Rents				92,961	92,961	
Miscellaneous	<u>36,680</u>	<u>9,440</u>	<u>36,459</u>	<u>2,690</u>	<u>85,269</u>	<u>1,071</u>
Total operating revenue	<u>2,972,309</u>	<u>5,056,140</u>	<u>3,116,558</u>	<u>234,346</u>	<u>11,379,353</u>	<u>984,363</u>
Operating expense						
Contractual services, supplies and utilities	959,381	857,703	1,180,120	206,451	3,203,655	496,574
Personnel	1,012,968	1,059,417	1,096,046	33,450	3,201,881	302,125
Depreciation and amortization	420,547	1,124,650	149,600	107,214	1,802,011	7,638
Repairs	<u>78,376</u>	<u>170,436</u>	<u>363,314</u>	<u>6,783</u>	<u>618,909</u>	<u>153,331</u>
Total operating expense	<u>2,471,272</u>	<u>3,212,206</u>	<u>2,789,080</u>	<u>353,898</u>	<u>8,826,456</u>	<u>959,668</u>
Operating income/(loss)	<u>501,037</u>	<u>1,843,934</u>	<u>327,478</u>	<u>(119,552)</u>	<u>2,552,897</u>	<u>24,695</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Operating income/(loss)	\$ 501,037	\$ 1,843,934	\$ 327,478	\$ (119,552)	\$ 2,552,897	\$ 24,695
Nonoperating revenue/(expense)						
Intergovernmental	556,206		656,031	117,903	1,330,140	66,295
Interest income	9,998	31,619	10,503		52,120	
Property taxes				6,384	6,384	
Other	57,938	19,293	(37,541)		39,690	
Interest expense	(656,129)	(852,952)	(3,713)	(1,725)	(1,514,519)	
Total nonoperating revenue/(expense)	(31,987)	(802,040)	625,280	122,562	(86,185)	66,295
Net revenue over/(under) expense	469,050	1,041,894	952,758	3,010	2,466,712	90,990
Other financing sources/(uses)						
Operating/residual equity transfers in/(out)-net			(150,000)		(150,000)	
Change in net position	469,050	1,041,894	802,758	3,010	2,316,712	90,990
Net position, beginning of year	3,790,318	9,432,213	1,533,177	3,128,414	17,884,122	49,174
Net position, end of year	\$ 4,259,368	\$ 10,474,107	\$ 2,335,935	\$ 3,131,424	\$ 20,200,834	\$ 140,164

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Page 1 of 3

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Cash flow from operating activities						
Receipts from customers and users	\$ 3,077,372	\$ 5,055,468	\$ 3,089,252	\$ 239,071	\$ 11,461,163	\$ 983,142
Other operating revenue received	36,680	9,440	36,459	2,690	85,269	1,071
Payments for contractual services, supplies, utilities and repairs	(1,019,385)	(1,014,171)	(1,581,612)	(272,148)	(3,887,316)	(669,725)
Payments to employees	<u>(1,006,542)</u>	<u>(1,050,297)</u>	<u>(1,093,532)</u>	<u>(33,625)</u>	<u>(3,183,996)</u>	<u>(312,840)</u>
Net cash provided by/ (used for) operating activities	<u>1,088,125</u>	<u>3,000,440</u>	<u>450,567</u>	<u>(64,012)</u>	<u>4,475,120</u>	<u>1,648</u>
Cash flow from noncapital financing activities						
Payments from other governments	556,206			72,109	628,315	
Other income	57,938	19,293		6,384	83,615	
Payments from/(to) other funds	<u>12,187</u>	<u>11,367</u>	<u>(134,429)</u>	<u>291</u>	<u>(110,584)</u>	<u>5,405</u>
Net cash provided by/(used for) noncapital financing activities	<u>626,331</u>	<u>30,660</u>	<u>(134,429)</u>	<u>78,784</u>	<u>601,346</u>	<u>5,405</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Page 2 of 3

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Cash flow from capital and related financing activities						
Payments from other governments	\$	\$	\$ 656,031	\$ 45,794	\$ 701,825	\$ 66,295
Purchase of property, plant and equipment	(1,560,903)	(64,692)	(88,557)	(58,841)	(1,772,993)	(73,370)
Proceeds from sale of assets			140,200		140,200	
Principal paid on long-term debt	(394,010)	(1,504,967)	(131,452)		(2,030,429)	
Interest paid on long-term debt	(660,083)	(879,672)	(3,938)	(1,725)	(1,545,418)	
Net cash provided by/(used for) capital and related financing activities	<u>(2,614,996)</u>	<u>(2,449,331)</u>	<u>572,284</u>	<u>(14,772)</u>	<u>(4,506,815)</u>	<u>(7,075)</u>
Cash flow from investing activities						
Interest received	<u>9,998</u>	<u>31,619</u>	<u>10,503</u>		<u>52,120</u>	
Net increase/(decrease) in cash	(890,542)	613,388	898,925		621,771	(22)
Cash, beginning of year	<u>2,979,753</u>	<u>3,870,034</u>	<u>325,673</u>		<u>7,175,460</u>	<u>64,887</u>
Cash, end of year	<u>\$ 2,089,211</u>	<u>\$ 4,483,422</u>	<u>\$ 1,224,598</u>	<u>\$</u>	<u>\$ 7,797,231</u>	<u>\$ 64,865</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Page 3 of 3

	<u>Business-Type Activities – Enterprise Funds</u>				Total Business- Type Funds	Governmental Activities - Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>		
Reconciliation of operating income to net cash provided by/(used for) operating activities:						
Operating income/(loss)	\$ 501,037	\$ 1,843,934	\$ 327,478	\$ (119,552)	\$ 2,552,897	\$ 24,695
Adjustment to reconcile operating income/ (loss) to net cash provided by/(used for) operating activities:						
Depreciation and amortization expense	420,547	1,124,650	149,600	107,214	1,802,011	7,638
(Increase)/decrease in accounts receivable	111,176	8,768	9,154	6,599	135,697	(150)
(Increase)/decrease in inventory	4,320	(13,014)			(8,694)	(23,750)
Increase/(decrease) in accounts payable and accrued expense	14,051	26,982	(38,179)	(58,914)	(56,060)	3,930
Increase/(decrease) in accrued wages and related costs	6,426	9,120	2,514	(175)	17,885	(10,715)
Increase/(decrease) in deposits	<u>30,568</u>			<u>816</u>	<u>31,384</u>	
Net cash provided by/(used for) operating activities	<u>\$ 1,088,125</u>	<u>\$ 3,000,440</u>	<u>\$ 450,567</u>	<u>\$ (64,012)</u>	<u>\$ 4,475,120</u>	<u>\$ 1,648</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds		Expendable Trust	
	Improvement District	Deposits	Successor Agency to Reedley Redevelopment Agency	Total Fiduciary Funds
Assets				
Cash and cash equivalents	238	\$ 242,293	\$ 6,782,192	\$ 7,024,723
Notes receivable			1,797,499	1,797,499
Capital assets (net of allowance for depreciation)			340,062	340,062
Total assets	238	242,293	8,919,753	9,162,284
Liabilities				
Accounts payable and accrued expense		172	95,826	95,998
Accrued payroll and related costs			23,689	23,689
Trust liabilities	238	242,121		242,359
Long-term liabilities				
Due within one year			155,000	155,000
Due in more than one year			8,180,000	8,180,000
Total liabilities	238	242,293	8,454,515	8,697,046
Net position				
Invested in capital assets, net of related debt			340,062	340,062
Restricted			125,176	125,176
Total net position	\$ -0-	\$ -0-	\$ 465,238	\$ 465,238

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF ACTIVITIES
FIDUCIARY FUNDS - EXPENDABLE TRUST
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net Revenue/(Expense) and Changes in Net Position Primary Government</u>	
Functions/Programs			<u>Governmental Activities</u>	<u>Total</u>
Primary government:				
Governmental activities:				
Interest on long-term debt	\$ 574,790	\$	\$ (574,790)	\$ (574,790)
Low – moderate housing	38,730		(38,730)	(38,730)
General government	<u>266,657</u>	<u>250,000</u>	<u>(16,657)</u>	<u>(16,657)</u>
Total governmental activities	<u>\$ 880,177</u>	<u>\$ 250,000</u>	<u>(630,177)</u>	<u>(630,177)</u>
General revenue:				
Taxes			414,251	414,251
Interest and investment earnings			<u>66,818</u>	<u>66,818</u>
Total general revenue			<u>481,069</u>	<u>481,069</u>
Change in net position			(149,108)	(149,108)
Net position, beginning of year			<u>614,346</u>	<u>614,346</u>
Net position, end of year			<u>\$ 465,238</u>	<u>\$ 465,238</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Reedley, State of California (the “City”), was incorporated on February 18, 1913. The City operates under a Council-Manager form of government. The City’s major operations include public safety (police and fire); highways and streets; water, sewer and refuse collection; parks and recreation; building inspection; airport; public improvements; planning and zoning and general administrative services.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through December 6, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds and has chosen to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

Now, financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the City’s activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City implemented the general provisions of the Statement for the year ended June 30, 2003.

A. Reporting Entity

These financial statements present the City (the primary government) and its component unit, the Reedley Public Financing Authority. As defined by GASB Statement No.14, component units are legally separate entities that are included in the City’s reporting entity because of the significance of their operating or financial relationships with the City.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Reedley Public Financing Authority (the “Authority”) was created by a Joint Exercise of Powers between the City and the Agency on November 23, 1993. An Agreement was entered into pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985, Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “JPA Law”). The Authority, which is governed by a commission consisting of the members of the City Council, was created for the purpose of assisting the financing or refinancing of the Authority’s project areas. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

B. Basic Financial Statements – Government-Wide Statements

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City’s public safety, highways and streets, parks and recreation, building inspection, public improvements, planning and zoning and general administrative services are classified as governmental activities. The City’s water, sewer, refuse collection and airport services are classified as business-type activities.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net position is reported in three parts - invested in capital assets, net of related debt; restricted net position and unrestricted net position. The City first utilizes restricted resources to finance qualified activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions and business-type activities (public safety, public improvements, etc.). The functions are also supported by general government revenue (property, sales and other taxes, certain intergovernmental revenue, fines, permits and charges, etc.). The Statement of Activities reduces gross expense (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants (property, plant and equipment).

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or other taxes, intergovernmental revenue, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenue and expenditures or expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenue, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- b. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public improvements, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenue and expenditure/expense are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The City's reporting entity does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expense is recognized when incurred.

Modified accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is the principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash and cash equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments:

Investments, including deferred compensation and pension funds, if any, are stated at fair value (quoted market price or the best available estimate).

Inventories:

Inventories consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

CITY OF REEDLEY
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Buildings	30 years
Improvements other than buildings	40 years
Utility plant	40 years
Furniture and equipment	10 years
Automobiles and trucks	5 years

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective July 1, 2004. Infrastructure assets include roads, bridges underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the City's financial statements. Retroactive reporting of infrastructure is subject to an extended implementation period and was first effective for fiscal year ended June 30, 2006. The City was required to implement the general provisions of GASB Statement No. 34 in prior years and implemented the retroactive provisions (under the modified approach) in the fiscal year ended June 30, 2010.

Fund Equity:

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the City's governing board. Assigned amounts represent tentative designations by the City. Unassigned amounts are spendable and are not restricted, committed or assigned.

Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue:

Substantially all governmental fund revenue is accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying Statement No. 33 to grant revenue, the provider recognizes liabilities and expense and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in future years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditure/expense. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Capitalization of leases:

Capitalizable leases have been treated in accordance with FASB Statement No. 13, "Accounting for Leases", as amended. See Notes 4 and 5 for further discussion.

Pension plan:

All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note six.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond discount and issuance costs:

For governmental funds, bond discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For business-type funds, bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond discounts. Issuance costs are reported as deferred charges.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit of time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation. The following is a summary of cash as of June 30, 2014:

Cash on hand	\$ 4,000
Cash with fiscal agents	1,444,430
Deposits	939,243
Local Agency Investment Fund	1,265
Securities	<u>13,143,724</u>
	<u>\$ 15,532,662</u>

The City's investments with LAIF at June 30, 2014 include a portion of the pooled funds invested in derivatives and similar transactions. These investments may include the following:

Structured notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2014, the City had \$1,265 invested in LAIF. Cash held by fiscal agents amounted to \$1,444,430 as of June 30, 2014. Fiscal agents hold these funds for disbursements related only to debt service and fixed asset acquisition.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

3. CAPITAL ASSETS

Capital assets (property, plant and equipment) of governmental activities (including capital assets of the internal service fund), consisted of the following as of June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 2,792,382	\$	\$	\$ 2,792,382
Buildings	1,606,178	66,105		1,672,283
Improvements	19,382,207	8,660,634		28,042,841
Furniture and equipment	1,271,744	21,743		1,293,487
Vehicles	<u>4,332,550</u>	<u>110,999</u>		<u>4,443,549</u>
 Total	 29,385,061	 8,859,481		 38,244,542
Allowance for depreciation	<u>(8,604,799)</u>	<u>(294,276)</u>		<u>(8,899,075)</u>
	 <u>\$ 20,780,262</u>	 <u>\$ 8,565,205</u>	 <u>\$</u>	 <u>\$ 29,345,467</u>

Capital assets in the proprietary funds as of June 30, 2014, consisted of the following:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	\$ 1,032,599	\$	\$	\$ 1,032,599
Buildings	1,047,426	35,618		1,083,044
Improvements	58,404,407	1,625,675		60,030,082
Furniture and equipment	8,440,463	101,267	222,177	8,319,553
Vehicles	<u>3,855,433</u>	<u>79,440</u>		<u>3,934,873</u>
 Total	 72,780,328	 1,842,000	 222,177	 74,400,151
Allowance for depreciation	<u>(17,728,502)</u>	<u>(1,802,011)</u>	<u>(44,436)</u>	<u>(19,486,077)</u>
	 <u>\$ 55,051,826</u>	 <u>\$ 39,989</u>	 <u>\$ 177,741</u>	 <u>\$ 54,914,074</u>

4. LONG-TERM LIABILITIES (GOVERNMENTAL ACTIVITIES)

During the year ended June 30, 2014, the following changes occurred to long-term liabilities of governmental activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated absences	\$ 199,705	\$ 12,745	\$	\$ 212,450
Capital lease obligation	<u>186,253</u>		<u>59,807</u>	<u>126,446</u>
	 <u>\$ 385,958</u>	 <u>\$ 12,745</u>	 <u>\$ 59,807</u>	 <u>\$ 338,896</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4. LONG-TERM LIABILITIES (GOVERNMENTAL ACTIVITIES), Continued

Capital Leases Payable

On June 22, 2012, the City acquired five police vehicles and financed the purchase with a capital lease. Terms of the agreement call for quarterly payments of \$16,473. The obligation bears interest at the rate of 3.71 percent per annum. The annual debt requirements due under the terms of the lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 62,056	\$ 3,834	\$ 65,890
2016	<u>64,390</u>	<u>1,500</u>	<u>65,890</u>
Total	<u>\$ 126,446</u>	<u>\$ 5,334</u>	<u>\$ 131,780</u>

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS)

During the year ended June 30, 2014, the following changes occurred in the long-term debt of the proprietary funds:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Revenue bonds payable	\$ 345,000	\$	\$ 170,000	\$ 175,000
Revenue bonds payable	13,830,000		320,000	13,510,000
Revenue bonds payable	3,670,000		90,000	3,580,000
Note payable	24,205,310		1,169,862	23,035,448
Note payable (interfund)	353,052			353,052
Note payable	390,000		74,010	315,990
Capital lease payable	75,105		75,105	
Capital lease payable	<u>131,452</u>		<u>131,452</u>	
	<u>\$ 42,999,919</u>	<u>\$</u>	<u>\$ 2,030,429</u>	<u>\$ 40,969,490</u>

Revenue Bonds Payable

The 2001 Reedley Public Financing Authority Lease Revenue Refunding Bonds (Wastewater Treatment Plant Project) in the amount of \$1,950,000 were issued on December 18, 2001. Interest on the bonds ranges from 2.00% to 4.55%. The City signed a lease agreement with the Authority with loan payments plus interest due June 1 of each year beginning in 2002 through 2015. The bonds are subject to optional redemption on or after June 1, 2014, with mandatory redemption on June 1, 2015. The annual debt requirements due under the terms of the bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 175,000	\$ 7,787	\$ 182,787

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

The Trust Agreement signed by the City upon the issuance of the Lease Revenue Refunding Bonds requires that a separate Reserve Account be established and that the Reserve Account maintain an amount equal to the Reserve Requirement which is \$187,028. In addition, the Continuing Disclosure Agreement requires an Annual Rate Covenant Test. The following presentation satisfies those requirements:

Reserve Account balance as of June 30, 2014	\$ <u>183,600</u>
Annual Rate Covenant Test:	
Annual Rate Covenant (110 percent of Maximum Annual Debt Service on the Bonds)	\$ <u>205,730</u>
Sewer Utility Fund Wastewater Gross Revenue	\$ 5,107,052
Sewer Utility Fund Wastewater Operation and Maintenance Costs	<u>3,212,206</u>
Sewer Utility Fund Wastewater System - "Net Revenues"	<u>\$ 1,894,846</u>

The City did not maintain a balance in the Reserve Account equal to or greater than the Reserve Requirement. The deficiency amounted to \$3,428.

The 2007 Reedley Public Financing Authority Wastewater Revenue Bonds in the amount of \$4,155,000 were issued on April 10, 2007. Interest on the bonds ranges from 3.550% to 4.400%. The City signed an agreement with the Authority with loan payments plus interest due June 1 of each year beginning in 2007 through 2037. The annual debt requirements due under the terms of the bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 95,000	\$ 154,651	\$ 249,651
2016	100,000	150,851	250,851
2017	105,000	146,851	251,851
2018	105,000	142,651	247,651
2019	110,000	138,451	248,451
2020 – 2024	625,000	618,719	1,243,719
2025 – 2029	785,000	469,525	1,254,525
2030 – 2034	965,000	282,785	1,247,785
2035 – 2037	<u>690,000</u>	<u>61,600</u>	<u>751,600</u>
Total	<u>\$ 3,580,000</u>	<u>\$ 2,166,084</u>	<u>\$ 5,746,084</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

The 2007 Reedley Public Financing Authority Water Revenue Bonds in the amount of \$15,250,000 were issued on May 11, 2007. Interest on the bonds ranges from 4.000% to 5.000%. The City signed an agreement with the Authority with loan payments plus interest due September 1 of each year beginning in 2009 through 2038. The annual debt requirements due under the terms of the bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 330,000	\$ 585,362	\$ 915,362
2016	345,000	571,862	916,862
2017	360,000	557,762	917,762
2018	375,000	541,189	916,189
2019	390,000	522,550	912,550
2020 - 2024	2,235,000	2,343,281	4,578,281
2025 - 2029	2,755,000	1,811,609	4,566,609
2030 - 2034	3,405,000	1,138,253	4,543,253
2035 - 2038	<u>3,315,000</u>	<u>306,563</u>	<u>3,621,563</u>
Total	<u>\$ 13,510,000</u>	<u>\$ 8,378,431</u>	<u>\$ 21,888,431</u>

Notes Payable

On October 23, 2007, the Sewer Fund entered into an agreement with the State Water Resources Control Board to borrow up to \$26,964,921 to finance various wastewater treatment plant improvements. Through June 30, 2014, the Sewer Fund had drawn \$26,942,897 of these funds. This obligation bears interest at the rate of 2.40 percent per annum. The annual debt requirements due under the terms of the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,197,939	\$ 552,851	\$ 1,750,790
2016	1,226,689	524,101	1,750,790
2017	1,256,130	494,660	1,750,790
2018	1,286,277	464,513	1,750,790
2019	1,317,148	433,642	1,750,790
2020 - 2024	7,075,361	1,678,587	8,753,948
2025 - 2029	7,966,148	787,800	8,753,948
2030	<u>1,709,756</u>	<u>41,034</u>	<u>1,750,790</u>
Total	<u>\$ 23,035,448</u>	<u>\$ 4,977,188</u>	<u>\$ 28,012,636</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

On March 22, 2011, the Airport Fund borrowed \$390,928 from the Successor Agency to the Reedley Redevelopment Agency to finance airport expansion. In 2013, the loan was transferred from the Successor Agency to the City's General Fund. Terms of the agreement call for annual payments from the Airport Fund to the General Fund of \$30,094. The obligation bears interest at the rate of 1.50 percent per annum. The annual debt requirements due under the terms of the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 24,799	\$ 5,295	\$ 30,094
2016	25,170	4,924	30,094
2017	25,548	4,546	30,094
2018	25,931	4,163	30,094
2019	26,320	3,774	30,094
2020 - 2024	137,643	12,828	150,471
2025 - 2027	<u>87,641</u>	<u>2,642</u>	<u>90,283</u>
Total	<u>\$ 353,052</u>	<u>\$ 38,172</u>	<u>\$ 391,224</u>

On June 13, 2014, the Water Fund purchased electric water meter radios and financed the purchase with an installment sale agreement. Terms of the agreement call for quarterly payments of \$20,858. The obligation bears interest at the rate of 2.60 percent per annum. The annual debt requirements due under the terms of the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 75,954	\$ 7,479	\$ 83,433
2016	77,948	5,485	83,433
2017	79,994	3,438	83,432
2018	<u>82,094</u>	<u>1,338</u>	<u>83,432</u>
Total	<u>\$ 315,990</u>	<u>\$ 17,740</u>	<u>\$ 333,730</u>

6. PENSION PLAN

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

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. PENSION PLAN, Continued

Funding Policy: Participants are required to contribute seven percent (nine percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.030 percent for non-safety employees and 21.455 percent (fire) and 26.892 (police) for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended.

Annual Pension Cost: For the year ended June 30, 2014, the City's annual pension cost of \$1,229,416 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.30 to 14.20 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 20 years as of the valuation date.

FIVE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 1,101,226	100	-0-
6/30/10	1,192,908	100	-0-
6/30/11	1,222,166	100	-0-
6/30/12	1,202,100	100	-0-
6/30/13	1,229,416	100	-0-
6/30/14	1,300,000	100	-0-

Valuation Date	Entry Age		Unfunded Liability (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
	Normal Accrued Liabilities	Actuarial Value of Assets				
6/30/08	\$4,535,840,079	\$4,064,932,887	\$470,907,192	89.6%	\$ 899,197,248	52.4%
6/30/09	4,907,680,552	4,278,592,429	629,088,123	87.2%	964,581,680	65.2%
6/30/10	5,224,160,760	4,575,323,389	648,837,371	87.6%	972,963,360	66.7%
6/30/11	5,681,759,809	4,962,501,696	719,258,113	87.3%	984,289,734	73.1%
6/30/12	6,358,689,108	5,582,737,634	775,951,474	87.8%	989,123,746	78.4%

Information for the years ended June 30, 2014 and 2013 is not yet available.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

7. PRIOR PERIOD ADJUSTMENT

Due to changes in generally accepted accounting principles, Enterprise Funds July 1, 2013 net position have been decreased as follows:

	Water Enterprise Fund	Sewer Enterprise Fund
Previously stated	\$ 4,478,506	\$ 9,727,759
Charge-off of loan acquisition costs	(688,188)	(295,546)
Fund balance/net position as modified	\$ 3,790,318	\$ 9,432,213

8. FUND BALANCE

Fund Balances Reservations/Designations

Fund balances as of June 30, 2014, have been designated for the following purposes:

	General	Special Revenue	Enterprise
Designated for			
Nonspendable (unavailable for spending)	\$ 1,120,018	\$	\$
Restricted (by external entities)		1,045,467	1,454,989
Committed (by City Council)			
Assigned (by management)	5,593	676,681	
Unassigned (unrestricted)	1,745,051	5,836,784	5,566,907
	\$ 2,870,662	\$ 7,558,932	\$ 7,021,896

Fund Balance and Retained Earnings Deficits

The following is a summary of deficit fund balances and retained earnings as of June 30, 2014:

Special revenue fund - State Proposition 1B	\$	90,007
Special revenue fund - Transit		11,044

9. OTHER POST EMPLOYMENT BENEFITS (OPED)

The City provides medical benefits to qualified retirees and dependents (the Plan) as authorized and specified by Resolution 2013-083 adopted by the City Council on September 24, 2013. The City opted out of the Public Employee's Medical and Hospital Care Act effective January 1, 2014. Prior to this date, the City provided medical benefits to retirees under plans offered by California Public Employee Retirements Systems (CalPERS), an agent multiple-employer defined benefit healthcare plan.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POST EMPLOYMENT BENEFITS, Continued

The Plan is a multi-tier benefit structure, specifically Tiers 1, 2 and 3; where eligible employees and dependents receive differing levels of benefits. The City is responsible for establishing and amending the eligibility, benefit levels and funding policy of the Plan. As of June 30, 2013, the inaugural and latest actuarial study available, there were 113 active full-time employees and 32 retirees covered by the Plan. There is no City contribution for retiree dental, vision, life insurance of Medicare Part B reimbursement.

Eligibility Requirements

In order to be eligible for these benefits, an employee must retire directly from the City under CalPERS with 10 years of City service as a full-time regular employee and be at least 50 years of age at retirement. The length of service requirement does not apply to Tier 1 benefits.

Tier 1 Benefit Summary

Current retirees and current active full-time regular employees retiring on or before December 31, 2013 at age 50 or older. For pre-Medicare retirees only, the City contributes towards medical coverage at the same rate as active full-time unrepresented employees. For pre-Medicare dependents, the City contributes up to \$500 per month total for all eligible dependents. For Medicare-eligible retirees and one dependent, the City contributes 100 percent of the City Medicare supplement premium.

Tier 2 Benefit Summary

Current active full-time regular employees age 50 at retirement and retiring after December 31, 2016.

Ten Years of Service

For pre-Medicare retirees only, the City contributes 50 percent of the retiree's premium or current active unrepresented employee contribution, whichever is less. For pre-Medicare dependents, the City contributes up to \$250 per month total for only one eligible dependent. For Medicare-eligible retirees and one dependent, the City contributes 50 percent of Medicare supplement premiums or current active unrepresented employee contribution, whichever is less.

Twenty Years of Service

For pre-Medicare retirees only, the City contributes 80 percent of retiree premiums or current active unrepresented employee contribution, whichever is less. For pre-Medicare-eligible retirees and one dependent, the City contributes 80 percent of Medicare supplement premiums or current active unrepresented employee contribution, whichever is less.

Tier 3 Benefit Summary

Current active full-time regular employees hired or first becoming full-time on or after January 1, 2014 are not eligible for any City-paid retiree medical benefits.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POST EMPLOYMENT BENEFITS, Continued

A full copy of the September 2013 resolution specifying eligibility and benefit levels can be found at www.reedley.com/departments/administrative/city_administrative_policies.

Funding Policy and Actuarial Assumptions

The City currently pays for retiree medical benefits on a pay-as-you-go basis and does not pre-fund OPEB. The annual required contribution (ARC) was determined as part of a June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The City allows retirees to participate in the same City medical plans as active employees. Because active employees and retirees have pooled premiums, retirees pay less than they would if they were in a stand-alone medical plan. The difference between the expected claims for retirees and the premium charged to retirees is the implied subsidy. The implied subsidy has been included in the actuarial valuation as required under GASB 45 and, therefore, the corresponding benefit payments are included as an offset to the annual OPEB cost accrual. The actuarial assumptions included (a) a 4.0 percent investment rate of return; (b) a healthcare trend of declining annual increase ranging from 8.3 percent in 2015 to 5.0 percent for years starting in 2012. The actuarial methods and assumptions used include techniques that “smooth” the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least triennially as results are compared to past expectations and new estimates are made about the future. The City’s OPEB unfunded actuarial accrued liability as of Jan 30, 2013 is being amortized using a 30 year closed amortization period.

Annual OPEB Cost and Net OPEB Obligation

	<u>FYE 6/30/2014</u>
Estimated net OPEB obligation (NOO) at beginning of year	\$ -0-
Annual OPEB Cost	
Annual required contribution	1,741,000
Interest on NOO	-0-
NOO adjustment	-0-
Annual OPEB cost	1,741,000
Contributions	
Benefit payments (outside trust) - pre Medicare	85,412
Benefit payments (outside trust) - Medicare supplement	71,568
Benefit payments (outside trust) - implied subsidy	23,000
Trust funding	-0-
Total contributions	179,980
NOO at end of year	\$ 1,561,020

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

9. OTHER POST EMPLOYMENT BENEFITS, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/14	\$ 1,741,000	10.3	\$1,561,020

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 14,424,000
Actuarial value of Plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	14,424,000
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (eligible active Plan participants)	5,809,000
UAAL as a percentage of covered payroll	248.3%

Note: The Plan was established on January 1, 2014, therefore, contribution amounts are based on the January 1, 2014 to June 30, 2014 period only.

A full copy of the City's June 30, 2013 GASB 45 actuarial valuation report can be found at the City's website: www.reedley.com/departments/administrative/financial_information.

10. FRESNO COUNTY TRANSPORTATION AUTHORITY FUND

The Fresno County Transportation Authority Fund (FCTA) is comprised five individual funds. The activity for the five individual funds is included within the Street Projects Fund in the financial statements. The following is a summary of these funds for the year ended June 30, 2014:

	Flexible <u>Funding</u>	Americans with Disabilities <u>Act</u>	Street Maintenance	Pedestrian Trails	Bike	<u>Total</u>
Total assets	\$ 908,175	\$ 30,668	\$1,127,021	\$	\$	\$2,065,864
Total liabilities	<u>17,693</u>	<u>2,350</u>	<u></u>	<u>20,687</u>	<u>118,707</u>	<u>159,437</u>
Net position	<u>\$ 890,482</u>	<u>\$ 28,318</u>	<u>\$1,127,021</u>	<u>\$ (20,687)</u>	<u>\$ (118,707)</u>	<u>\$1,906,427</u>
Total revenue	\$ 313,212	\$ 8,658	\$ 260,872	\$	\$	\$ 582,742
Total expenditures	<u>180,160</u>	<u>17,447</u>	<u>130,134</u>	<u>34,410</u>	<u>144,381</u>	<u>506,532</u>
Increase/decrease in net position	<u>\$ 133,052</u>	<u>\$ (8,789)</u>	<u>\$ 130,738</u>	<u>\$ (34,410)</u>	<u>\$ (144,381)</u>	<u>\$ 76,210</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables as of June 30, 2014:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 353,052	\$
Street Projects Fund		1,750,790
Developer Impact Fees Funds	1,946,624	
Transit Fund		21,902
State Proposition 1B Fund		90,007
Senior Citizens Fund		4,974
Airport Enterprise Fund		78,951
Airport Enterprise Fund (advances from other funds)	<u> </u>	<u>353,052</u>
	<u>\$ 2,299,676</u>	<u>\$ 2,299,676</u>

12. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended June 30, 2014:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 295,366	\$ 737,942
Street Projects Funds		150,000
Senior Citizens Fund		9,424
Community Facilities District Fund	467,000	
Downtown Streetscape Fund		15,000
Disposal Enterprise Fund	<u>150,000</u>	<u> </u>
	<u>\$ 912,366</u>	<u>\$ 912,366</u>

13. RISK MANAGEMENT

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

The City is covered for the first \$1,000,000 of each general liability claim through the CSJVRMA. The City has the right to receive dividends and the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$15,000,000.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

13. RISK MANAGEMENT, Continued

The CSJVRMA is a consortium of 54 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a board of directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The audited financial position and results of operations of CSJVRMA as of June 30, 2014, are presented below:

Total assets	\$ 80,694,798
Total liabilities	<u>65,440,947</u>
Net position	<u>\$ 15,253,851</u>
Total revenue	\$ 33,835,296
Total expenses and other outgo	<u>34,466,854</u>
Increase/(decrease) in net position	<u>\$ (631,558)</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the member cities in accordance with governing documents of CSJVRMA.

14. CONTINGENCIES

Federal and State Government Programs

The City participates in several federal and state grant programs. These programs have been audited in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

CITY OF REEDLEY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

Assets	<u>COPS Program</u>	<u>Transit</u>	<u>Community Development Block Grant</u>	<u>State Prop 1B</u>	<u>Local Transpor- tation</u>	<u>Senior Citizens</u>	<u>Landscape Mainte- nance</u>	<u>Community Facilities District</u>	<u>Downtown Streetscape</u>	<u>PEG</u>	<u>Total Nonmajor Special Revenue Funds</u>
Cash and cash equivalents	\$ 26,013				\$ 616,071		\$ 83,284	\$ 8,391	\$ 16,568	\$ 21,481	\$ 771,808
Accounts receivable	<u>10,000</u>	<u>30,513</u>			<u>374</u>	<u>4,999</u>			<u>265</u>	<u>5,342</u>	<u>51,493</u>
	<u>\$ 36,013</u>	<u>\$ 30,513</u>			<u>\$ 616,445</u>	<u>\$ 4,999</u>	<u>\$ 83,284</u>	<u>\$ 8,391</u>	<u>\$ 16,833</u>	<u>\$ 26,823</u>	<u>\$ 823,301</u>
Liabilities and Fund Balance											
Liabilities											
Accounts payable and accrued expense	\$	\$ 248			\$ 26,065	\$ 25	\$ 6,957		\$ 1,619	\$ 1,303	\$ 36,217
Accrued wages and related costs	3,826	19,407					3,874				27,107
Due to other funds		<u>21,902</u>		<u>90,007</u>		<u>4,974</u>					<u>116,883</u>
Total liabilities	<u>3,826</u>	<u>41,557</u>		<u>90,007</u>	<u>26,065</u>	<u>4,999</u>	<u>10,831</u>		<u>1,619</u>	<u>1,303</u>	<u>180,207</u>
Fund balance											
Assigned					590,380		72,453	8,391			671,224
Unassigned/(deficit)	<u>32,187</u>	<u>(11,044)</u>		<u>(90,007)</u>					<u>15,214</u>	<u>25,520</u>	<u>(28,130)</u>
Total fund balance	<u>32,187</u>	<u>(11,044)</u>		<u>(90,007)</u>	<u>590,380</u>		<u>72,453</u>	<u>8,391</u>	<u>15,214</u>	<u>25,520</u>	<u>643,094</u>
	<u>\$ 36,013</u>	<u>\$ 30,513</u>			<u>\$ 616,445</u>	<u>\$ 4,999</u>	<u>\$ 83,284</u>	<u>\$ 8,391</u>	<u>\$ 16,833</u>	<u>\$ 26,823</u>	<u>\$ 823,301</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	COPS Program	Transit	Community Development Block Grant	State Prop 1B	Local Transportation	Senior Citizens	Landscape Maintenance	Community Facilities District	Downtown Streetscape	PEG	Total Nonmajor Special Revenue Funds
Revenue											
Intergovernmental	\$ 100,000	\$ 292,072	\$ 212,002	\$ 25,003	\$ 524,762	\$ 10,715	\$	\$	\$	\$	\$ 1,164,554
Taxes								473,944		20,911	494,855
Charges for services		25,067				8,496	144,551		19,819		197,933
Other			17,642		6,108				3,032		26,782
Interest				186	5,845		657		193	132	7,013
Total revenue	<u>100,000</u>	<u>317,139</u>	<u>229,644</u>	<u>25,189</u>	<u>536,715</u>	<u>19,211</u>	<u>145,208</u>	<u>473,944</u>	<u>23,044</u>	<u>21,043</u>	<u>1,891,137</u>
Expenditures											
Public works			216,222	440,779	556,963		140,094		15,527	2,383	1,371,968
Community services		327,146				29,045					356,191
Police	66,101										66,101
Administration								13,615			13,615
Total expenditures	<u>66,101</u>	<u>327,146</u>	<u>216,222</u>	<u>440,779</u>	<u>556,963</u>	<u>29,045</u>	<u>140,094</u>	<u>13,615</u>	<u>15,527</u>	<u>2,383</u>	<u>1,807,875</u>
Revenue over/(under) expenditures	33,899	(10,007)	13,422	(415,590)	(20,248)	(9,834)	5,114	460,329	7,517	18,660	83,262
Other financing sources/(uses)											
Operating transfers in/(out)						9,424		(467,000)	15,000		(442,576)
Fund balance, beginning of year	<u>(1,712)</u>	<u>(1,037)</u>	<u>(13,422)</u>	<u>325,583</u>	<u>610,628</u>	<u>410</u>	<u>67,339</u>	<u>15,062</u>	<u>(7,303)</u>	<u>6,860</u>	<u>1,002,408</u>
Fund balance, end of year	<u>\$ 32,187</u>	<u>\$ (11,044)</u>	<u>\$</u>	<u>\$ (90,007)</u>	<u>\$ 590,380</u>	<u>\$</u>	<u>\$ 72,453</u>	<u>\$ 8,391</u>	<u>\$ 15,214</u>	<u>\$ 25,520</u>	<u>\$ 643,094</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 3,003,872	\$ 3,003,872	\$ 3,244,585	\$ 240,713
Intergovernmental	2,263,078	2,263,078	2,335,059	71,981
Charges for services	881,882	945,846	1,042,957	97,111
Licenses and permits	204,863	204,863	281,712	76,849
Other	1,500	1,500	135,667	134,167
Interest	78,294	78,294	51,973	(26,321)
Total revenue	<u>6,433,489</u>	<u>6,497,453</u>	<u>7,091,953</u>	<u>594,500</u>
Expenditures				
Current				
Public safety	4,765,133	4,838,079	4,756,338	81,741
Community services	836,901	911,548	918,169	(6,621)
Administration and finance	614,092	626,392	577,252	49,140
Public works	498,225	505,074	503,088	1,986
Community development	376,486	375,540	354,669	20,871
Debt service				
Total expenditures	<u>7,090,837</u>	<u>7,256,633</u>	<u>7,109,516</u>	<u>147,117</u>
Revenue over/(under) expenditures	(657,348)	(759,180)	(17,563)	741,617
Other financing sources				
Transfers in/(out) - net	<u>453,656</u>	<u>182,714</u>	<u>442,576</u>	<u>259,862</u>
Net change in fund balance	(203,692)	(576,466)	425,013	1,001,479
Fund balance, beginning of year	<u>2,445,649</u>	<u>2,445,649</u>	<u>2,445,649</u>	
Fund balance, end of year	<u>\$ 2,241,957</u>	<u>\$ 1,869,183</u>	<u>\$ 2,870,662</u>	<u>\$ 1,001,479</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 BUDGETARY COMPARISON SCHEDULE
 GAS TAX FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 396,953	\$ 396,953	\$ 434,897	\$ 37,944
Intergovernmental	371,218	371,218	347,183	(24,035)
Other				
Interest	<u>600</u>	<u>600</u>	<u>272</u>	<u>(328)</u>
Total revenue	<u>768,771</u>	<u>768,771</u>	<u>782,352</u>	<u>13,581</u>
Expenditures				
Current				
Public works	<u>745,422</u>	<u>745,422</u>	<u>697,709</u>	<u>47,713</u>
Total expenditures	<u>745,422</u>	<u>745,422</u>	<u>697,709</u>	<u>47,713</u>
Revenue over/(under) expenditures	23,349	23,349	84,643	61,294
Fund balance, beginning of year	<u>5,819</u>	<u>5,819</u>	<u>5,819</u>	<u> </u>
Fund balance, end of year	<u>\$ 29,168</u>	<u>\$ 29,168</u>	<u>\$ 90,462</u>	<u>\$ 61,294</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 BUDGETARY COMPARISON SCHEDULE
 STREET PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 20,210,672	\$ 20,210,672	\$ 7,538,568	\$ (12,672,104)
Interest	300	300	19,899	19,599
Other	<u> </u>	<u> </u>	<u>50</u>	<u>50</u>
Total revenue	<u>20,210,972</u>	<u>20,210,972</u>	<u>7,558,517</u>	<u>(12,652,455)</u>
Expenditures				
Current				
Public works	<u>21,177,620</u>	<u>21,658,937</u>	<u>7,902,708</u>	<u>13,756,229</u>
Total expenditures	<u>21,177,620</u>	<u>21,658,937</u>	<u>7,902,708</u>	<u>13,756,229</u>
Revenue over/(under) expenditures	(966,648)	(1,447,965)	(344,191)	1,103,774
Other financing sources				
Transfers in/(out) - net	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u> </u>
Net change in fund balance	(816,648)	(1,297,965)	(194,191)	1,103,774
Fund balance, beginning of year	<u>540,855</u>	<u>540,855</u>	<u>540,855</u>	<u> </u>
Fund balance, end of year	<u>\$ (275,793)</u>	<u>\$ (757,110)</u>	<u>\$ 346,664</u>	<u>\$ 1,103,774</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY SALES TAX FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 1,033,414	\$ 1,033,414	\$ 1,060,794	\$ 27,380
Other	48,000	48,000	9,426	(38,574)
Interest	<u>8,000</u>	<u>8,000</u>	<u>7,381</u>	<u>(619)</u>
Total revenue	<u>1,089,414</u>	<u>1,089,414</u>	<u>1,077,601</u>	<u>(11,813)</u>
Expenditures				
Current				
Public safety	1,167,353	1,201,903	1,160,419	41,484
Debt service	<u>65,800</u>	<u>65,800</u>	<u>65,890</u>	<u>(90)</u>
Total expenditures	<u>1,233,153</u>	<u>1,267,703</u>	<u>1,226,309</u>	<u>41,394</u>
Revenue over/(under) expenditures	(143,739)	(178,289)	(148,708)	29,581
Fund balance, beginning of year	<u>757,049</u>	<u>757,049</u>	<u>757,049</u>	<u> </u>
Fund balance, end of year	<u>\$ 613,310</u>	<u>\$ 578,760</u>	<u>\$ 608,341</u>	<u>\$ 29,581</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
 BUDGETARY COMPARISON SCHEDULE
 DEVELOPER IMPACT FEES FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive – (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Charges for services	\$ 1,340,714	\$ 480,665	\$ 1,340,714	\$ 860,049
Interest	<u>56,494</u>	<u>55,297</u>	<u>56,494</u>	<u>1,197</u>
Total revenue	<u>1,397,208</u>	<u>535,962</u>	<u>1,397,208</u>	<u>861,246</u>
Expenditures				
Current				
Community services	55,162	235,162		235,162
Public works	2,334,283	3,202,555	742,904	2,459,651
Debt service	100,340	100,340		100,340
Public safety	<u>17,900</u>	<u>29,397</u>	<u>22,451</u>	<u>6,946</u>
Total expenditures	<u>2,507,685</u>	<u>3,567,454</u>	<u>765,355</u>	<u>2,802,099</u>
Revenue over/(under) expenditures	(1,110,477)	(3,031,492)	631,853	3,663,345
Other financing sources/(uses)				
Transfers in/(out) – net	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	(1,110,477)	(3,031,492)	631,853	3,663,345
Fund balance, beginning of year	<u>5,238,518</u>	<u>5,238,518</u>	<u>5,238,518</u>	<u> </u>
Fund balance, end of year	<u>\$ 4,128,041</u>	<u>\$ 2,207,026</u>	<u>\$ 5,870,371</u>	<u>\$ 3,663,345</u>

See accompanying notes to financial statements.

SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

1423 Eleventh Street
P O Box 1057
Reedley, CA 93654

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

December 15, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Reedley as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants

SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

1423 Eleventh Street
P O Box 1057
Reedley CA 93654

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

December 15, 2014

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

Report on Compliance for Each Major Federal Program

We have audited City of Reedley's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Reedley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City of Reedley as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants

CITY OF REEDLEY
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

Program Name	CFDA Number	Project Number	Revenue	Expenditures
Department of Housing and Urban Development: (pass-through from County of Fresno, State of California – Title I of Housing and Community Development Act of 1974) Community Development Block Grant/Entitlement Grants	14.218	12-571	\$ 212,003	\$ 212,003
Department of Justice: (pass-through from State of California) Edward Byrne Memorial Justice Assistance Grant Program	16.804	2014-DJ-BX-0085	13,258	12,088
Department of Justice: (pass-through from State of California)			2,975	2,975
Department of Commerce: (pass-through from State of California) Investments for Public Works and Economic Development Facilities	11.300	07-01-06141	556,206	208,318
Department of Transportation: (pass-through from State of California) Airport Improvement Program	20.106	3-06-0196-013	16,514	
Department of Transportation: (pass-through from State of California) Airport Improvement Program	20.106	3-06-0196-014	61,425	66,491
Department of Transportation: (pass-through from State of California) Airport Improvement Program	20.106	3-06-0196-016-2014	18,430	50,880
Department of Transportation: (pass-through from State of California)		16-FRE-0-REED BHLS 5216(028)	4,376,347	4,964,418
Department of Transportation: (pass-through from State of California)		STPCML-5216(044)	1,203,775	1,530,807
Department of Education: (pass-through from Fresno County Superintendent of Schools) Twenty-First Century Community Learning Centers (A)	84.287		112,110	112,110
Department of Education: (pass-through from Fresno County Superintendent of Schools) Save the Children			50,459	50,459
Department of Health and Human Services: (pass-through from Fresno-Madera Area Agency on Aging) Special Programs for Aging--Title III, Part C--Nutrition Services	93.045	14-0171	<u>10,715</u>	<u>10,715</u>
			<u>\$ 6,634,217</u>	<u>\$ 7,221,264</u>

Basis of Presentation:

The accompanying schedule of expenditures of federal financial assistance includes the federal grant activity of the City of Reedley and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF REEDLEY
SCHEDULE OF AUDITORS' RESULTS, FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

(1) Summary of Auditors' Results:

- (a) Type of report issued on the general purpose financial statements: Unqualified opinion.
- (b) Significant deficiencies in internal control were disclosed by the audit of the general purpose financial statements: No. Material weaknesses: No.
- (c) Noncompliance which is material to general purpose financial statements: No.
- (d) Significant deficiencies in internal control over major programs: No. Material weaknesses: No.
- (e) The type of report issued on compliance for major programs: Unqualified opinion.

No material weaknesses or significant deficiencies in internal control over compliance identified.
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: No.
- (g) Major programs: Investments for Public Works and Economic Development Facilities
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: Yes.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Governmental Auditing Standards*: No findings reported.

(3) Findings and Questioned Costs Relating to Federal Awards: No findings or questioned costs.

CITY OF REEDLEY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None



BETTY T. YEE

California State Controller

July 8, 2015

Director of Finance
City of Reedley
845 "G" Street
Reedley, CA 93654

Re: 2013-14 Fiscal Year Single Audit Report Certification and Audit Finding Resolution

We completed a desk review of your single audit report for the year ended June 30, 2014. We determined that the report meets the requirements of the United States Office of Management and Budget (OMB) Circular A-133. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, prescribes the audit and reporting standards for state and local governments that expend federal awards.

OMB Circular A-133 requires federal and state funding agencies to resolve any audit findings cited in the report that may affect federal award programs. The attachment to this letter identifies those findings that require resolution. The findings are referenced by enclosure and page number.

OMB Circular A-133 also requires pass-through state agencies to follow up on the resolution of findings that affect federal programs administered by these agencies. The state agency referenced in the attachment will be in contact to follow up on the resolution of the applicable findings.

The State Controller's Office is responsible for resolving most cross-cutting findings or audit leads. A cross-cutting finding is one that affects the programs of more than one agency. If cross-cutting findings are identified in your report, our office will contact you. An audit lead is a specific issue identified in your report that may require additional investigation by federal or state agencies. Federal or state agencies may ask you to provide additional information related to the audit lead.

Your audit report may also contain general internal control findings not referenced in the attachment to this letter. These findings do not appear to affect the federal award programs. Therefore, we have not identified them for resolution action; however, you should ensure that your audit report for the 2014-15 fiscal year addresses the resolution of these findings.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 (323) 981-6802

Director of Finance

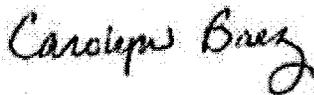
July 8, 2015

Page 2

Your audit satisfies all financial and compliance audit requirements under individual federal award programs. This does not preclude state and federal agencies from making any additional audits that are necessary to carry out their responsibilities under federal laws and regulations. State and federal agencies may contact you to arrange for additional audits.

If you have any questions regarding this letter or any other single audit issue, please contact a member of my Single Audits staff by telephone at (916) 324-6442 or by email at singleaudits@sco.ca.gov.

Sincerely,

A handwritten signature in cursive script that reads "Carolyn Baez".

CAROLYN BAEZ, Chief
Financial Audits Bureau
Division of Audits
Attachment

cc: State Funding Agencies

ATTACHMENT
AUDIT REPORT FINDING(S)--STATE AGENCIES

City of Reedley
2013-14 Fiscal Year

<i>Program Name</i>	<i>CFDA #</i>	<i>Finding #</i>	<i>Page #</i>	<i>Enc. #</i>
No Findings Noted				