



CITY OF FIREBAUGH,

CALIFORNIA

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

**CITY OF FIREBAUGH, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

City Officials I

FINANCIAL SECTION

Independent Auditor's Report 1-3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 4
Statement of Activities and Changes in Net Position 5

Fund Financial Statements:

Governmental Funds:

Balance Sheet 6
Reconciliation of the Governmental Fund Balances
to the Government-Wide Statement of Net Position - Governmental Activities 7
Statement of Revenues, Expenditures, and Changes in Fund Balances. 8
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Government-Wide Statement
of Activities -Governmental Activities 9

Proprietary Funds:

Statement of Net Position 10
Statement of Revenues, Expenses, and Changes in Net Position 11
Statement of Cash Flows 12

Fiduciary Funds:

Statement of Fiduciary Net Assets 13
Statement of Changes in Fiduciary Net Assets. 14

Notes to Basic Financial Statements. 15-45

Required Supplementary Information (Unaudited):

Budgetary Comparison Schedule - Budgetary Basis - General Fund 46
Schedule of additional required disclosures. 47-50
Notes to Required Supplementary Information 51
Required Supplementary Information - Pension and OPEB. 52

**CITY OF FIREBAUGH, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

Page

Combining Nonmajor Fund Statements:

Nonmajor Governmental Funds - Non-Major Special Revenue Funds:

Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.	54
Schedule of Net Revenue Available for Debt Service.	55

Other Report and Schedules:

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.	56-57
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INTRODUCTORY SECTION

City Officials

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**CITY OF FIREBAUGH, CALIFORNIA
CITY OFFICIAL
FOR THE YEAR ENDED JUNE 30, 2016**

**CITY COUNCIL
(Terms as of June 30, 2016)**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Freddy Valdez	Mayor	2016
Brady Jenkins	Pro-Tem	2016
Craig Knight	Member	2016
Marcia Sablan	Member	2018
Felipe Perez	Member	2018

CITY CLERK

Vacant

CITY TREASURER

Vacant

ACTING CITY MANAGER

Ben Gallegos

FINANCE DIRECTOR

Pio Martin

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FINANCIAL SECTION

Independent Auditor's Report
Management Discussion and Analysis
Basic Financial Statements
Notes to the Basic Financial Statements

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Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the City Council
City of Firebaugh
Firebaugh, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of City of Firebaugh (the City), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1438 Oregon Street, P.O. Box 994508 Redding, CA 96099-4508 (530) 246-2834 fax (530) 244-0331

The Honorable Mayor and Members of the City Council
City of Firebaugh
Firebaugh, California

Opinion

In my 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 Firebaugh, California, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 46, as well as the additional information on pages 47 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Firebaugh's basic financial statements. The accompanying combining schedules and schedule of net revenues available for debt service are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial

Honorable Mayor and Members of the City Council
City of Firebaugh
Firebaugh, California

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, those schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2017, on our consideration of the City of Firebaugh's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Firebaugh's internal control over financial reporting and compliance.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.



Donald R. Reynolds, CPA
Redding, California
January 5, 2017

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 3,624,674	\$ 5,189,950	\$ 8,814,624
Accounts receivable (net of allowance)	135,177	62,043	197,220
Due from other governmental agencies	-	-	-
Interest receivable	-	-	-
Internal balances	(815,007)	815,007	-
Prepaid power	-	-	-
Loans receivable	2,079,313	-	2,079,313
Capital assets:			
Non-depreciable	137,047	203,705	340,752
Depreciable, net	1,515,113	16,586,212	18,101,325
Total capital assets	<u>1,652,160</u>	<u>16,789,917</u>	<u>18,442,077</u>
Total Assets	\$ <u>6,676,317</u>	\$ <u>22,856,917</u>	\$ <u>29,533,234</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution	\$ <u>370,132</u>	\$ <u>356,723</u>	\$ <u>726,855</u>
LIABILITIES			
Accounts payable	109,632	57,307	166,939
Accrued salaries and benefits	94,133	-	94,133
Retention payable	-	-	-
Accrued interest payable	-	75,796	75,796
Deposits payable	10,922	76,480	87,402
Unearned revenue	-	-	-
OPEB Liability	2,077,140	-	2,077,140
Compensated absences			
Due within one year	8,443	36,373	44,816
Due in more than one year	146,355	-	146,355
Long-term liabilities:			
Due within one year	27,063	227,836	254,899
Net pension liability	2,282,718	554,769	2,837,487
Other	-	8,559,065	8,559,065
Total Liabilities	<u>4,756,406</u>	<u>9,587,626</u>	<u>14,344,032</u>
DEFERRED INFLOWS OF RESOURCES			
Pension adjustment	<u>328,393</u>	<u>316,495</u>	<u>644,888</u>
NET POSITION			
Invested in capital assets, net of related debt	1,625,097	8,003,016	9,628,113
Restricted for:			
Grants, taxes, and fees	-	-	-
Debt service	-	450,345	450,345
Unrestricted	<u>336,552</u>	<u>4,856,158</u>	<u>5,192,710</u>
Total Net Position	\$ <u>1,961,649</u>	\$ <u>13,309,519</u>	\$ <u>15,271,168</u>

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

**CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 192,063	\$ -	\$ -
Public ways and facilities	1,555,661	659,903	169,261
Public protection	2,235,571	240,413	89,662
Culture and recreation	309,333	149,988	291,753
Community development	-	-	-
Interest on long-term debt	2,681	-	-
Total Governmental Activities	<u>4,295,309</u>	<u>1,050,304</u>	<u>550,676</u>
Business-type activities:			
Sewer	1,151,534	1,544,985	-
Water	1,733,793	1,693,468	-
Airport	28,889	20,660	-
Total Business-Type Activities	<u>2,914,216</u>	<u>3,259,113</u>	<u>-</u>
Total	<u>\$ 7,209,525</u>	<u>\$ 4,309,417</u>	<u>\$ 550,676</u>

General revenues:

Taxes:
Property taxes
Sales and use taxes
Franchise taxes
Property transfer taxes
Grants and contributions - unrestricted
Interest and investment earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, Restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
\$ -	\$ (192,063)	\$ -	\$ (192,063)
441,995	(284,502)	-	(284,502)
-	(1,905,496)	-	(1,905,496)
-	132,408	-	132,408
-	-	-	-
-	(2,681)	-	(2,681)
441,995	(2,252,334)	-	(2,252,334)
-	-	393,451	393,451
-	-	(40,325)	(40,325)
-	-	(8,229)	(8,229)
-	-	344,897	344,897
\$ 441,995	(2,252,334)	344,897	(1,907,437)
	829,815	-	829,815
	573,445	-	573,445
	893,295	-	893,295
	258	-	258
	114,618	36,040	150,658
	2,712	6,214	8,926
	166,012	39,471	205,483
	(29,025)	-	(29,025)
	2,551,130	81,725	2,632,855
	298,796	426,622	725,418
	1,339,853	12,882,897	14,222,750
	323,000	-	323,000
	1,662,853	12,882,897	14,545,750
	\$ 1,961,649	\$ 13,309,519	\$ 15,271,168

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

CITY OF FIREBAUGH, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

ASSETS	General Fund	Community Development	Other Governmental Funds	Total
Cash and investments	\$ 2,134,954	\$ -	\$ 1,489,720	\$ 3,624,674
Accounts receivable (net of allowance)	81,796	9,661	43,720	135,177
Due from other governmental agencies	-	-	-	-
Interest receivable	-	-	-	-
Due from other funds	22,768	-	-	22,768
Loans receivable	-	1,729,313	350,000	2,079,313
Total Assets	<u>\$ 2,239,518</u>	<u>\$ 1,738,974</u>	<u>\$ 1,883,440</u>	<u>\$ 5,861,932</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 54,625	\$ 9,575	\$ 45,433	\$ 109,633
Accrued salaries and benefits	94,133	-	-	94,133
Deposits payable	10,922	-	-	10,922
Due to other funds	815,007	13,161	9,607	837,775
Unearned revenue	-	-	-	-
Total Liabilities	<u>974,687</u>	<u>22,736</u>	<u>55,040</u>	<u>1,052,463</u>
 DEFERRED INFLOWS OF RESOURCES				
Notes receivable	<u>-</u>	<u>1,729,313</u>	<u>350,000</u>	<u>2,079,313</u>
 FUND BALANCES				
Reserved for:				
Loans receivable	-	-	-	-
Unreserved, reported in:				
General fund	-	-	-	-
Designated	-	(13,075)	-	(13,075)
Undesignated	1,048,860	-	-	1,048,860
Special revenue funds Undesignated	215,971	-	1,478,400	1,694,371
Total Fund Balances	<u>1,264,831</u>	<u>(13,075)</u>	<u>1,478,400</u>	<u>2,730,156</u>
Total Liabilities and Fund Balances	<u>\$ 2,239,518</u>	<u>\$ 1,738,974</u>	<u>\$ 1,883,440</u>	<u>\$ 5,861,932</u>

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

**CITY OF FIREBAUGH, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2016**

Total Fund Balance - Total Governmental Funds \$ 2,730,156

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

Notes receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds 2,079,313

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets. 1,652,160

Deferred inflows and outflows of resources represent expenses that are not reflected in current operations 41,739

Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.

Loans payable	(27,063)
Interest payable	-
Net Pension Liability - Governmental Funds	(2,282,718)
OPEB liability	(2,077,140)
Compensated absences	<u>(154,797)</u>

Net Position of Governmental Activities: \$ 1,961,650

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

**CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES	General Fund	Community Development
	<u> </u>	<u> </u>
Taxes and assessments	\$ 1,549,049	\$ -
Licenses and permits	184,346	-
Fines and forfeitures	63,094	-
Use of money	1,022	-
Intergovernmental	771,228	9,661
Charges for services	733,410	-
Other revenues	101,464	-
Total Revenues	<u>3,403,613</u>	<u>9,661</u>
EXPENDITURES		
Current:		
General government	168,071	-
Public ways and facilities	582,918	22,736
Public protection	1,807,393	-
Culture and recreation	270,693	-
Community development	-	-
Debt service:		
Principal	26,375	-
Interest and other charges	2,681	-
Capital outlay	-	-
Total Expenditures	<u>2,858,131</u>	<u>22,736</u>
Excess of Revenues Over (Under) Expenditures	<u>545,482</u>	<u>(13,075)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(12,326)	-
Total Other Financing Sources (Uses)	<u>(12,326)</u>	<u>-</u>
Net Change in Fund Balances	<u>533,156</u>	<u>(13,075)</u>
Fund Balances - Beginning	731,675	\$ -
Prior period adjustment	-	-
Fund Balances - Beginning, Restated	<u>731,675</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,264,831</u>	<u>\$ (13,075)</u>

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

Other Governmental Funds		Total
169,358	\$	1,718,407
-		184,346
-		63,094
1,121		2,143
967,197		1,748,086
61,839		795,249
10,342		111,806
<u>1,209,857</u>		<u>4,623,131</u>
-		168,071
755,681		1,361,335
148,921		1,956,314
-		270,693
-		-
-		26,375
-		2,681
24,909		24,909
<u>929,511</u>		<u>3,810,378</u>
<u>280,346</u>		<u>812,753</u>
12,326		12,326
<u>(29,025)</u>		<u>(41,351)</u>
<u>(16,699)</u>		<u>(29,025)</u>
263,647		783,728
1,214,753	\$	1,946,428
-		-
<u>1,214,753</u>		<u>1,946,428</u>
<u>1,478,400</u>	\$	<u>2,730,156</u>

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

**CITY OF FIREBAUGH, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVI
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds. \$ 783,728

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

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 and
reported as depreciation expense.

Expenditures for capital outlay	24,909
Depreciation expense	(97,375)

Debt proceeds provide current financial resources to governmental funds, but issuing
debt increases long-term liabilities in the statement of Net Position. Repayment of
principal is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of Net Position.

Principal retirements	26,375
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Some revenues reported in the statement of activities will not be collected for several
months after the City's year end and do not provide current financial resources and
therefore are not reported as revenues in the governmental funds.

Change in accounts receivable	-
Change in Deposits	-
Change in deferred revenue	-

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the
governmental funds.

Change in OPEB liability	-
Change in compensated absences	-
Change in pension expense	(438,839)
Change in accrued interest on long-term debt	-

Change In Net Position of Governmental Activities	\$ <u>298,798</u>
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The notes to the basic financial statements
are an integral part of this statement.

CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities -			
	Sewer	Water	Airport	Total
ASSETS				
Cash and investments	\$ 2,477,661	\$ 2,691,035	\$ 21,254	\$ 5,189,950
Accounts receivable (net of allowance)	28,053	33,519	471	62,043
Due from other funds	735,007	718,197	-	1,453,204
Due from other Governments	-	-	-	-
Total Current Assets	<u>3,240,721</u>	<u>3,442,751</u>	<u>21,725</u>	<u>6,705,197</u>
Capital assets:				
Non-depreciable	203,705	-	-	203,705
Depreciable, net	5,712,480	10,873,732	-	16,586,212
Total Noncurrent Assets	<u>5,916,185</u>	<u>10,873,732</u>	<u>-</u>	<u>16,789,917</u>
Total Assets	<u>\$ 9,156,906</u>	<u>\$ 14,316,483</u>	<u>\$ 21,725</u>	<u>\$ 23,495,114</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contribution	\$ <u>177,916</u>	\$ <u>175,722</u>	\$ <u>3,085</u>	\$ <u>356,723</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 15,754	\$ 41,334	\$ 219	\$ 57,307
Accrued interest payable	55,780	20,016	-	75,796
Retention payable	-	-	-	-
Deposits payable	-	76,480	-	76,480
Due to other funds	-	638,197	-	638,197
Unearned revenue	-	-	-	-
Compensated absences	15,726	20,647	-	36,373
Loans payable	55,000	172,836	-	227,836
Net pension liability	273,280	276,692	4,797	554,769
Compensated absences	-	-	-	-
OPEB liability	-	-	-	-
Loans payable	3,385,000	5,174,065	-	8,559,065
Total Liabilities	<u>\$ 3,800,540</u>	<u>\$ 6,420,267</u>	<u>\$ 5,016</u>	<u>\$ 10,225,823</u>
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	\$ <u>157,852</u>	\$ <u>155,906</u>	\$ <u>2,737</u>	\$ <u>316,495</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 2,476,185	\$ 5,526,831	\$ -	\$ 8,003,016
Restricted for:				
Debt service	194,345	256,000	-	450,345
Unrestricted	<u>2,705,900</u>	<u>2,133,201</u>	<u>17,057</u>	<u>4,856,158</u>
Total Net Position	<u>\$ 5,376,430</u>	<u>\$ 7,916,032</u>	<u>\$ 17,057</u>	<u>\$ 13,309,519</u>
	-	-	-	-

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

CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Sewer</u>	<u>Business-Type Activities - Water</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,544,985	\$ 1,693,468	\$ 20,660	\$ 3,259,113
Total Operating Revenues	<u>1,544,985</u>	<u>1,693,468</u>	<u>20,660</u>	<u>3,259,113</u>
OPERATING EXPENSES				
Personnel costs	277,694	288,463	12,732	578,889
Utilities	143,680	249,077	2,380	395,137
Supplies	17,208	16,682	-	33,890
Maintenance and operations	250,778	409,079	5,248	665,105
Contractual services	73,292	80,610	8,445	162,347
Depreciation	240,412	376,089	-	616,501
Other expense	4,139	27,671	84	31,894
Total Operating Expenses	<u>1,007,203</u>	<u>1,447,671</u>	<u>28,889</u>	<u>2,483,763</u>
Operating Income (Loss)	<u>537,782</u>	<u>245,797</u>	<u>(8,229)</u>	<u>775,350</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	3,363	2,851	-	6,214
Intergovernmental revenues	-	31,903	4,137	36,040
Other revenues	59	39,412	-	39,471
Interest expense	(144,331)	(286,122)	-	(430,453)
Total Non-Operating Revenues (Expenses)	<u>(140,909)</u>	<u>(211,956)</u>	<u>4,137</u>	<u>(348,728)</u>
Income (Loss) Before Transfers	<u>396,873</u>	<u>33,841</u>	<u>(4,092)</u>	<u>426,622</u>
Transfers in	334,408	164,668	-	499,076
Transfers out	(334,408)	(164,668)	-	(499,076)
Change in Net Position	<u>396,873</u>	<u>33,841</u>	<u>(4,092)</u>	<u>426,622</u>
Total Net Position - Beginning	4,979,557	7,882,191	21,149	12,882,897
Prior period adjustment	-	-	-	-
Total Net Position - Beginning, Restated	<u>4,979,557</u>	<u>7,882,191</u>	<u>21,149</u>	<u>12,882,897</u>
Total Net Position - Ending	<u>\$ 5,376,430</u>	<u>\$ 7,916,032</u>	<u>\$ 17,057</u>	<u>\$ 13,309,519</u>

CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities			
	<u>Sewer</u>	<u>Water</u>	<u>Airport</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,555,153	\$ 2,207,419	\$ 22,072	\$ 3,784,644
Payments to suppliers	(510,219)	(1,037,770)	(16,591)	(1,564,580)
Payments to employees	(280,493)	(291,232)	(12,732)	(584,457)
Net Cash Provided (Used) by Operating Activities	<u>764,441</u>	<u>878,417</u>	<u>(7,251)</u>	<u>1,635,607</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants and other receipts	-	31,903	4,137	36,040
Changes in pension liabilities	(194,138)	(188,760)	4,449	(378,449)
Interfund loans received	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(194,138)</u>	<u>(156,857)</u>	<u>8,586</u>	<u>(342,409)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(334,408)	(169,544)	-	(503,952)
Principal paid on capital debt	(78,000)	(60,000)	-	(138,000)
Interest paid on capital debt	(144,331)	(286,122)	-	(430,453)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(556,739)</u>	<u>(515,666)</u>	<u>-</u>	<u>(1,072,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends and other	3,422	42,263	-	45,685
Net Cash Provided (Used) by Investing Activities	<u>3,422</u>	<u>42,263</u>	<u>-</u>	<u>45,685</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,986	248,157	1,335	266,478
Balances - Beginning of the Year	2,460,675	2,442,878	19,919	4,923,472
Balances - End of the Year	<u>\$ 2,477,661</u>	<u>\$ 2,691,035</u>	<u>\$ 21,254</u>	<u>\$ 5,189,950</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 537,782	\$ 245,797	\$ (8,229)	\$ 775,350
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	240,412	376,089	-	616,501
Decrease (increase) in:				
Accounts receivable	10,168	513,951	1,412	525,531
Due from other governments	-	-	-	-
Increase (decrease) in:				
Accounts payable	(21,122)	(259,101)	(434)	(280,657)
Deposits payable	-	4,450	-	4,450
Compensated absences	(2,799)	(2,769)	-	(5,568)
OPEB liability	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 764,441</u>	<u>\$ 878,417</u>	<u>\$ (7,251)</u>	<u>\$ 1,635,607</u>

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

**CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND - SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,189,487
Notes receivable	-
Land and buildings held for resale	<u>1,833,649</u>
Total Assets	<u>\$ 3,023,136</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 11,795
Interest payable	25,954
Long-term debt:	
Due within one year	-
Due in more than one year	<u>6,127,934</u>
Total Liabilities	<u>6,165,683</u>
NET POSITION	
Held in trust for other governments	\$ <u>(3,142,547)</u>

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

CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND - SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2016</u>
ADDITIONS	
Property taxes	\$ 1,124,611
Investment earnings and other	18,245
Total additions	<u>1,142,856</u>
DEDUCTIONS	
Administrative costs	-
Program expenses of former redevelopment agency	215,986
Interest and fiscal agency expenses of former redevelopment agency	<u>311,448</u>
Total deductions	<u>527,434</u>
Transfers in	29,025
Transfers out	-
Change in net position	644,447
Net position - Beginning of year	<u>(3,415,694)</u>
Net position - End of year	<u><u>\$ (2,771,247)</u></u>

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

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BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

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**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Firebaugh (City), all of which conform to generally accepted accounting principles as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City of Firebaugh, State of California (the "City"), was incorporated in 1914. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water and sewer; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; sanitation, electric, water, and wastewater services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events.

As required by GAAP, the accompanying basic financial statements present the City and its component units. Component units are entities for which the City is considered to be financially accountable. GASB defines component units as legally separate entities that meet any one of the following tests:

The City appoints the voting majority of the board of the entity and:

Is able to impose its will on the entity and/or,
is in a relationship of financial benefit or burden with the entity.

The entity is fiscally dependent upon the City.

The financial statements of the City would be misleading if data from the entity were omitted.

Management determined that there are no potential component units, based on the criteria above:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Government-Wide and Fund Financial Statements (Continued)

component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues as available if they are collected within sixty days of the end of the current fiscal period, except for sales tax which has a ninety day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Property taxes, sales taxes, transient occupancy tax, grants, licenses, fees, charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary fund financial statements include a statement of net assets. The City's fiduciary funds represent agency funds and a Private-purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate.

Governmental Funds - Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Basis of Presentation (Continued)

Enterprise Funds - account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City has elected to follow GASB pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

Fiduciary Funds

Agency Funds - used to account for assets held by a governmental unit as an agent for individuals, governmental entities (other than the City) and non-public organizations. This fund is used to account for deposits and collects monies for various community events which are remitted to the organizers.

Private-purpose Trust Fund - is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments.

Major Funds

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The Water Enterprise Fund accounts for the operations of the City's water utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

The Sewer Utility Fund accounts for the operations of the City's wastewater utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Major Funds (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category this fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from miscellaneous receivables, grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity Cash and Investments

Cash and Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average daily cash balance at quarter end in relation to the total pool investments. The interest income is recorded in the fund that earned the interest, except for those funds which have a negative cash balance and are excluded from the interest apportionment.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method.

Madera County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Inventories

Inventories are valued at estimated cost at year-end. All inventories consist of expendable supplies held for consumption.

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such depreciation has been provided over the estimated useful lives using the straight-line method.

The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Buildings	10-40 years
Improvements	10-40 years
Machinery and Equipment	3-20 years
Utility System	5-50 years
Infrastructure	15-50 years

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued on following page.

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken.

Unused vacation and sick leave have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

Unearned Revenue

In the government-wide financial statements, unearned revenue is recorded for transactions for which revenues have not been earned.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenues when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity

In the fund financial statements, governmental funds aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed ordinances of the City Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City Council's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed.

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Net Position

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Tap and similar fees have been reported as non-operating revenues in the City's statement of revenue expense and changes in net position for proprietary funds and as capital grants and contributions in the statement of activities and changes in net position.

Use of 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 reporting period. Actual results could differ from those estimates.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

New Pronouncements - Implemented

Governmental Accounting Standards Board Statement No. 72

GASB Statement No. 72, Fair Value Measurement and Application. Issued February 2015. This statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was implemented for the City for fiscal year ending June 30, 2016. Since the City invests in the State's Local Agency Investment Fund, implementation did not result in a change in valuation; but Note 3, Cash and Investments has been modified to provide the new disclosures required by this Statement.

Governmental Accounting Standards Board Statement No. 73

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Issued June 2015 this statement was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City has no employees covered by plans outside the scope of GASB 68 for fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 76

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 76 was implemented by the City in fiscal year ending June 30, 2016, but has no impact on the financial statements.

Governmental Accounting Standards Board Statement No. 78

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. Issued in December 2015, the objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68. The City does not participate in any pension plans that fall within the scope of this Statement, therefore the provisions of this statement do not apply.

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: DETAILED NOTES

H. New Pronouncements, (Continued)

Governmental Accounting Standards Board Statement No. 79

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Issued December 2015, this statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 was implemented by the City in fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 82

GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Issued March 2016, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has no employees covered by this pronouncement.

The Government Accounting Standards Board has also adopted Statements 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 77, *Tax Abatement Disclosures*, 80, *Blending Requirements for Certain Component Units*, and 81, *Irrevocable Split-Interest Agreements*, which are not effective until fiscal year June 30, 2017. Most of the provisions of those statements will not affect this City, however the applicability will be assessed as the pronouncements become effective.

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: DETAILED NOTES

Cash and Investments

As of June 30, 2016, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 7,652,029
Agency funds	<u>542,805</u>
Total Cash and Investments	<u>\$ 8,194,834</u>

As of June 30, 2016, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 300
Deposits (less outstanding checks)	<u>5,798,072</u>
Total Cash	<u>5,798,372</u>

As of June 30, 2016, the City's investments consisted of the following:

Investments:	
In California Local Agency Investment Fund (at market):	<u>2,396,462</u>
Total Investments	<u>2,396,462</u>
Total Cash and Investments	<u>\$ 8,194,834</u>

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$5,798,072 and the bank balance was \$5,888,006. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk For Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits. Of the bank balance \$513,405 was covered by Federal depository insurance.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of

(Continued on the following page).

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: DETAILED NOTES (Continued)

Cash and Investments (Continued)

its fair value to changes in market interest rates. All investments of the City are pooled with the State of California Local Agency Investment Fund. The City's investment policy generally limits investment maturities as needed to maintain adequate liquidity to meet the City's cash flow requirements and to limit its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limits investments in commercial paper to the rating of A or better by Standards & Poor's or P-1 or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. The City's investment policy does not further limit its investment choices.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other than deposits and imprest cash, in the California Local Agency Investment Fund (LAIF). At June 30, 2016, the City's investments were in compliance with concentration of credit risk State law.

Investment in Local Agency Investment Fund - The City of Firebaugh is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$2,396,462. The total amount invested by all public agencies in LAIF on that day was \$21,495,234,784 of that amount, 96.08% is invested in non-derivative financial products and 1.42% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

Investments - The City reports its investments in accordance with GASB Statement Number 31. This standard requires that the City's investments be reported at fair value with realized and unrealized gains or losses reported in the statement of operations.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3: DETAILED NOTES (Continued)

Notes Receivable

Revolving Loan Program - Long-term loans receivable of \$1,729,313 represent monies loaned to home buyers in connection with a down payment assistance programs. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30 year deferral period. At the time of sale, the seller pays the loan balance in full plus interest, ranging from 0% to 4%. For the home buyer loan program, starting at the end of the 30 year deferral period, the borrower is required to repay the loan over the following 15 years.

Firebaugh San Joaquin Vista Associates - During fiscal year 2000, the Redevelopment Agency of the City of Firebaugh, loaned Firebaugh San Joaquin Vista Associates \$200,000 as a subsidy in connection with a low income apartment. The note carries an interest rate of 3% and matures during 2055. The terms of the agreement specify that payments of the outstanding principal and accrued interest shall be paid annually in the amount equal to 30% of available project revenues. Payments made shall be credited first against accrued interest and then against outstanding principal. There have been no required payments to date on this note.

San Joaquin Development LLC - During fiscal year 2009, the Redevelopment Agency of the City of Firebaugh loaned San Joaquin Development LLC \$150,000 in connection with the construction of low-income condominiums. The note is non-interest bearing and is repayable upon sale of each unit at the rate of \$7,134 per unit. There have been no repayments to date on this note.

Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 137,047	\$ -	\$ -	\$ -	\$ 137,047
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, Not being depreciated	<u>137,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,047</u>
Capital assets, being depreciated:					
Buildings	1,338,503	-	-	-	1,338,503
Infrastructure	514,825	-	-	-	514,825
Machinery and equipment	<u>1,981,385</u>	<u>24,909</u>	<u>-</u>	<u>-</u>	<u>2,006,294</u>
Total capital assets, being depreciated	<u>3,834,713</u>	<u>24,909</u>	<u>-</u>	<u>-</u>	<u>3,859,622</u>

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: DETAILED NOTES (Continued)

Capital Assets (Continued)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Less accumulated depreciation	(2,247,134)	(97,375)	-	-	(2,344,509)
Total capital assets, Being depreciated, net	<u>1,587,579</u>	<u>(72,466)</u>	-	-	<u>1,515,113</u>
Total governmental activities, net	\$ <u>1,724,626</u>	\$ <u>(72,466)</u>	\$ -	\$ -	\$ <u>1,652,160</u>
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Business-Type activities:</u>					
Capital assets, not being depreciated:					
Land - Sewer	\$ 203,705	\$ -	\$ -	\$ -	\$ 203,705
Construction in progress - Water	<u>344,215</u>	<u>620,991</u>	-	<u>(965,206)</u>	<u>-</u>
Total assets not being depreciated	<u>547,920</u>	<u>620,991</u>	-	<u>(965,206)</u>	<u>203,705</u>
Capital assets, being depreciated:					
Buildings and Infrastructure - Water	14,217,697	460,336	-	965,206	15,643,239
Buildings and Infrastructure - Sewer	8,641,602	-	-	-	8,641,602
Vehicles and Equipment - Water	185,148	-	-	-	185,148
Vehicles and Equipment - Sewer	<u>427,702</u>	<u>334,410</u>	-	-	<u>762,112</u>
Total capital assets, being depreciated	<u>23,472,149</u>	<u>794,746</u>	-	<u>965,206</u>	<u>25,232,101</u>
Accumulated Depreciation - Water	(4,562,495)	(392,160)	-	-	(4,954,655)
Accumulated Depreciation - Sewer	<u>(3,431,213)</u>	<u>(260,021)</u>	-	-	<u>(3,691,234)</u>
Less accumulated depreciation	<u>(7,993,708)</u>	<u>(652,181)</u>	-	-	<u>(8,645,889)</u>
Total capital assets, being depreciated, net	<u>15,478,441</u>	<u>142,565</u>	-	<u>965,206</u>	<u>16,586,212</u>
Total business-type activities, net	\$ <u>16,026,361</u>	\$ <u>763,556</u>	\$ -	\$ -	\$ <u>16,789,917</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 65,927
Public Safety and Judiciary	19,549
Public Works and Development	<u>11,899</u>
Total Depreciation Expense -- Governmental Functions	\$ <u>97,375</u>

Depreciation expense was charged to the business-type functions as follows:

Sewer	\$ 260,021
Water	<u>392,160</u>
Total Depreciation Expense - Business-Type Functions	\$ <u>652,181</u>

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3: DETAILED NOTES (Continued)

Unearned Revenue - Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities as of June 30, 2016.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items to report in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds are unavailable revenues of \$2,079,313 related to long-term notes and loans receivable.

At June 30, 2016, the components of unearned revenue consisted of off-sets to notes receivable in the amount of \$4,117,589, in addition there was unearned revenue in the General Fund in the amount of \$10,517.

Long-term Debt

Long-term debt for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Lease Payable					
Fire truck lease	\$ 54,058	\$ -	\$ (26,375)	\$ 27,063	\$ 27,063
Total Governmental Activity Debt	<u>\$ 54,058</u>	<u>\$ -</u>	<u>\$ (26,375)</u>	<u>\$ 27,063</u>	<u>\$ 27,063</u>

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: DETAILED NOTES (Continued)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Bonds Payable					
1976 Firebaugh Sewer Revenue Bond	\$ 28,000	\$ -	\$ (28,000)	\$ -	\$ -
2013 Water Revenue Refunding Bond	1,449,612	-	(67,820)	1,381,792	67,836
Certificate of Participation					
2007 USDA Water COP	3,955,000	-	(60,000)	3,895,000	65,000
Loan Payable					
2008 USDA Sewer Loan	<u>3,490,000</u>	<u>-</u>	<u>(50,000)</u>	<u>3,440,000</u>	<u>55,000</u>
Total Business-Type Activity Debt	<u>\$ 8,922,612</u>	<u>\$ -</u>	<u>\$ (205,820)</u>	<u>\$ 8,716,792</u>	<u>\$ 187,836</u>
Compensated Absences					
Government Activities	\$ 154,798	\$ -	\$ -	\$ 154,798	
Business-Type Activities	\$ 41,941	\$ -	\$ (1,394)	\$ 40,547	

At June 30, 2016, loans consisted of the following:

Fire Truck Lease - In October 2006 the City entered into a capital lease for \$224,802 with Kansas State Bank of Manhattan for a new fire truck. The lease is payable in ten annual installments of \$29,056.30 consisting of principal and interest.

1976 Firebaugh Sewer Revenue Bonds Payable - The 1976 Firebaugh Sewer Revenue Bonds in the amount of \$477,000 were issued in 1976. Interest in the amount of 5 percent is due semi-annually. Principal is paid annually.

2013 Water Revenue Refunding Bond - In November 2013, the City issued revenue bonds in the amount of \$1,512,415. The funds were used for the purpose of refinancing the 2005 Water Revenue Bond. Principal and interest is payable semi-annually on December 1 and June 1 each year, with an interest rate of 3.85%.

2007 USDA Water Certificate of Participation - In 2007 the City issued \$4,365,000 of Certificates of Participation. The proceeds of the issue were used for the water system improvement project. Interest on the COP is payable semi-annually on December 1 and June 1 each year, with an interest rate of 4.125% per annum. Principal is paid annually on June 1.

2008 USDA Sewer Loan Payable - In 2008 the City borrowed \$3,800,000 from the USDA to finance sewer plant expansion. Interest on the loan is payable semi-annually on February 15 and August 15 each year, with an interest rate of 4.125% per annum. Principal is paid on August 15 of each year.

The annual aggregate maturities for the years subsequent to June 30, 2016, are disclosed in the other disclosures section on pages 47 through 50.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3: DETAILED NOTES (Continued)

Operating Leases

Rental expenses incurred under operating leases are not considered material.

Interfund Transactions

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following amounts were reflected as due from and due to other funds as of June 30, 2016:

<u>Due To:</u>		<u>Due From:</u>	
Sewer Fund	\$ 735,007	General Fund	\$ 815,007
Water Fund	718,197	Water Capital Improvement Fund	618,953
General Fund	22,768	Las Deltas Water Fund	14,409
		CML-5224-019 Fund	500
		CMAQ Fund	7,416
		Highway 33 Fund	1,691
		15-CDBG-10568 fund	3,500
		SRTS-03.02 Fund	9,661
		12-CDBG 887 Grant Fund	4,835
	<u> </u>		<u> </u>
Total	<u>\$ 1,475,972</u>		<u>\$ 1,475,972</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The City only made de minimus transfers for fiscal year ended June 30, 2016.

Deficit Fund Balances

The City has the following deficit fund balances at June 30, 2016:

CML-5224-019 Fund	\$ (1,188)
STPL-5224-030 Fund	(1,363)
Highway 33 Fund	(182)
Water Capital Improvement Fund	(162,844)
Las Deltas Water	(4,894)

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: EMPLOYEES' RETIREMENT PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Descriptions – All qualified employees are eligible to participate in the City's following cost-sharing multiple-employer defined benefit pension plans (Plans):

- City Miscellaneous (Tier 1)
- City Miscellaneous - PEPR (Tier 2)
- City Safety (Tier 1)
- City Safety - PEPR (Tier 2)

The Plans are administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(Continued on the following page)

CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>City Safety Plan</u>		<u>City Miscellaneous Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
Hire date	Prior to January 1, 2012	On or after January 1, 2012	Prior to January 1, 2012	On or after January 1, 2012
Benefit formula	3% @ 55	2.7% @ 57	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-57	50-55	50-55
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.4% to 3%	2.0% to 2.7%
Required employee contribution rates	9.0%	11.5%	9.0%	11.5%
Required employer contribution rates	41.36%	11.5%	21.37%	11.5%

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>City Safety Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>
Contributions - employer	\$ 64,755	\$ -
Contributions - employee (paid by employer)	231,928	-
	<u>City Miscellaneous Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>
Contributions - employer	\$ 89,850	\$ -
Contributions - employee (paid by employer)	198,524	-

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
City Safety Plan-Tier 1	\$ 1,687,094
City Miscellaneous Plan-Tier 1	<u>1,130,393</u>
Total Net Pension Liability	\$ <u>2,817,487</u>

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

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

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	City Safety Plan	
	<u>Tier 1</u>	<u>Tier 2</u>
Proportion - June 30, 2014	0.40%	0.00%
Proportion - June 30, 2015	<u>0.39%</u>	<u>0.00%</u>
Change- Increase (Decrease)	<u>(0.01%)</u>	<u>0.00%</u>

	City Miscellaneous Plan	
	<u>Tier 1</u>	<u>Tier 2</u>
Proportion-June30,2014	0.41%	0.00%
Proportion-June30,2015	<u>0.41%</u>	<u>0.00%</u>
Change - Increase (Decrease)	<u>0.00%</u>	<u>0.00%</u>

For the year ended June 30, 2016, the City recognized pension expense of \$397,073. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 330,931	\$ -
Differences between actual and expected experience	5,909	-
Changes in assumptions	-	(155,047)
Net difference between projected and actual earnings on pension plan investments	390,014	(21,556)
Adjustments due to differences in proportion	<u>-</u>	<u>(468,286)</u>
Total	<u>\$ 726,854</u>	<u>\$ (644,889)</u>

\$330,931 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2016	\$ (119,554)
2016	(119,554)
2017	(107,361)
2018	97,503
Thereafter	-

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	All Plans (4)
Measurement Date	June 30, 2013
Actuarial Cost Method	June 30, 2014
Actuarial Assumptions:	Entry age Normal Cost Method
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPers Membership Data for all Funds (3)
Post Retirement Benefit Contract	COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Increase	
(1) Depending on age, service and type of employment	
(2) Net of pension plan investment and administrative expenses; includes inflation	
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.	
(4) All of the City's plans for miscellaneous and safety, and the District's plan's employed the same assumptions.	

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2013 actuarial experience study for the period 1997 to 2012. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore,

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return</u>	
		<u>Years 1 - 10(a)</u>	<u>Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forest land	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		
(a.)	An expected inflation of 2.5% used for this period.		
(b.)	An expected inflation of 3.0% used for this period.		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	<u>City Safety Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>
One Percent Increase	6.50%	6.50%
Net Pension Liability	\$ 2,704,991	-
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 1,687,094	-
One Percent Decrease	8.50%	8.50%
Net Pension Liability	\$ 852,437	-
	<u>City Miscellaneous Plan</u>	
	<u>Tier 1</u>	<u>Tier 2</u>
One Percent Increase	6.50%	6.50%
Net Pension Liability	\$ 1,895,749	-
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 1,130,393	-
One Percent Decrease	8.50%	8.50%
Net Pension Liability	\$ 498,504	-

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5: POST-EMPLOYMENT HEALTH CARE BENEFITS

Post Retirement Benefits - From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Prior to adopting the requirements of GASB Statement No. 45, the City recognized the cost of postemployment healthcare in the year it was paid. With the implementation of GASB Statement No. 45 the City will report the accumulated liability from prior years in order to provide information useful in assessing potential demands on the City's future cash flows. Recognition and funding of the liability accumulated from prior years will be phased in over 30 years.

Plan Description - For all employees employed by the City who are not under a labor agreement who retire from the City's employment under the Public Employee's Retirement System currently in effect, the City will continue to pay the premiums for health care coverage in an amount equal to the amount paid if the employee was still employed by the City.

For the fiscal year ending June 30, 2016, there were five retirees receiving such benefits. The City is financing any benefits on a pay as you go basis.

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contributions using the Entry Age Normal Cost Method. The required contribution is based on projected pay-as-you-go financing requirements.

Membership in the plan consisted of the following at June 30, 2015, the date of the latest actuarial valuation.

Retirees receiving benefits	6
Active plan members eligible	34
Total	40
Retired employees:	
Average Age	65.4
Average Retirement Age	60
Active members eligible:	
Average Age	40.0
Average Service Years	9.1

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess)

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5: POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

over a period of thirty (30) years. The following table shows the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (OPEB cost)	\$ 240,691
Interest on net OPEB obligation	102,166
Adjustment to annual required contribution	(116,155)
Annual OPEB cost (expense)	226,702
Contributions made	(27,506)
Increase (decrease) in net OPEB obligation	199,196
Net OPEB obligation, beginning of year	2,270,364
Net OPEB obligation, end of year	\$ 2,469,560

The City's OPEB obligation as of implementation of GASB Statement No. 45 is less than the actuarial accrued liability of \$3,246,513, all of which is unfunded. However, the OPEB obligation will be increased prospectively to the actuarial accrued liability amount. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Year Ended June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	383,225	8,415	2.2%	1,690,925
2013	409,401	23,186	5.7%	2,077,140
2015	214,331	21,107	9.8%	2,270,364

Funding Status and Progress - The funded status of the liability as of June 30, 2016, the plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2010	2,263,046	-	2,263,046	0.0%	1,598,143	141.6%
6/30/2013	2,896,304	-	2,896,304	0.0%	1,564,331	185.1%
6/30/2015	1,909,315	-	1,909,315	0.0%	1,831,124	104.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding status and progress, as shown above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5: POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual OPEB cost was determined as part of the June 30, 2016 actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry age normal cost
Asset Valuation Method	Market value of assets
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Actuarial Assumptions:	
Investment Rate of Return	7.0%
Discount Rate	4.5%
Payroll Increase	3.25%
Health Cost Trend Rates:	
Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:	
Year After Valuation Date	
2014	Actual premiums
2016	Actual premiums
2016	Actual premiums
2017	7.5%
2018	7.0%
Thereafter	6.5% to 4.64%

NOTE 6: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities as of June 30, 2016.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 6: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items to report in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds are unavailable revenues of \$1,756,313 related to long-term notes and loans receivable.

On the Government wide Statement of net position Deferred Outflows of resources of \$612,541 represent contributions made to the City’s pension plan for the 2015-2016 fiscal year. Deferred Inflows of resources are as follows:

Net differences between projected and actual earnings on pension plan investments	\$ 21,556
Changes in assumptions	155,047
Adjustment due to differences in proportions	468,286
Total deferred inflows of resources	\$ 644,889

NOTE 7: 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 and \$500,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$1,500,000 to the statutory limit.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7: RISK MANAGEMENT (Continued)

The CSJVRMA is a consortium of 55 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 financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2016 is as follows:

Total assets	\$86,630,360
Total liabilities	<u>73,673,710</u>
Net position	<u>\$12,956,650</u>
Total revenues	\$38,130,606
Total expenses	<u>40,427,807</u>
Increase/(decrease) in net position	<u>\$(2,297,201)</u>

NOTE 8: CONTINGENCIES

Federal and State Government Programs - The City participates in several federal and state grant programs. These programs have been audited, as needed, 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.

NOTE 9: SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through January 5, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in such financial statements.

(Continued on the following page)

**CITY OF FIREBAUGH, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10: BUDGETARY PRINCIPLES

The operating budget of the City is adopted by the City Council prior to July 1 each year primarily on a cash basis. The City Manager is authorized to transfer budget amounts between divisions of a department within any fund; however, any revisions that alter the total expenditures of any fund require City Council resolution.

Budget information is adopted and presented for the general, special revenue and capital project funds. The presentations represent original appropriations adjusted for supplemental appropriations, if any, made during the year.

The City does not formally adopt a budget for debt service funds. The bond documents are the controlling factor.

Portions of fund equity are recorded as reserves when segregation for future use is necessary and the funds are, therefore, not available for future apportionment or expenditures.

Summary of Differences between Budgetary Basis and Generally Accepted Accounting Principles (GAAP)

The following are the differences between the City's budgetary basis and GAAP:

- a.) The City does not budget for GASB 31 interest income.
- b.) The City does not budget for accounts payable or intergovernmental payables.
- c.) The City does not budget for benefit accruals.
- d.) The City does not budget for transfers from the debt service funds when revenue is in excess of debt service requirements.
- e.) The City budgets for certain receivables and payables on a cash basis.
- f.) The City budgets for land to be held for resale as expenditure.
- g.) Encumbrances are not included in the Statement of Revenue, Expenditures and Changes in Fund Balance.

Budgetary Basis Reconciliation

Budgets are not adopted for the debt service fund except for the debt service funds of the Agency.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FIREBAUGH, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 1,555,730	\$ 1,555,730	\$ 1,549,049	\$ (6,681)
Licenses and permits	55,250	55,250	184,346	129,096
Fines and forfeitures	49,000	49,000	63,094	14,094
Use of money	302	302	1,022	720
Intergovernmental	60,300	60,300	771,228	710,928
Charges for services	1,165,295	1,165,295	733,410	(431,885)
Other revenues	<u>124,250</u>	<u>124,250</u>	<u>101,464</u>	<u>(22,786)</u>
Total Revenues	<u>3,010,127</u>	<u>3,010,127</u>	<u>3,403,613</u>	<u>393,486</u>
EXPENDITURES				
Current:				
General government	146,963	146,963	168,071	(21,108)
Public ways and facilities	479,769	479,769	582,918	(103,149)
Public protection	1,925,575	1,925,575	1,807,393	118,182
Culture and recreation	244,698	244,698	270,693	(25,995)
Community development	-	-	-	-
Debt service	52,400	52,400	29,057	23,343
Capital outlay	<u>59,056</u>	<u>59,056</u>	<u>-</u>	<u>59,056</u>
Total Expenditures	<u>2,908,461</u>	<u>2,908,461</u>	<u>2,858,132</u>	<u>50,329</u>
Excess of Revenues Over (Under) Expenditures	<u>101,666</u>	<u>101,666</u>	<u>545,481</u>	<u>443,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(12,326)</u>	<u>(12,326)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(12,326)</u>	<u>(12,326)</u>
Net Change in Fund Balance	101,666	101,666	533,155	431,489
Fund Balance -Beginning	<u>731,675</u>	<u>731,675</u>	<u>731,675</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 833,341</u>	<u>\$ 833,341</u>	<u>\$ 1,264,830</u>	<u>\$ 431,489</u>

The City of FIREBAUGH budgets for debt service principal and interest expenditures as a single item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined as one item, debt service.

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

**CITY OF FIREBAUGH, CALIFORNIA
SCHEDULES TO FOOTNOTES
BUDGET AND APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE . OTHER DISCLOSURES

SCHEDULE OF EXCESS EXPENDITURES:

Fund	Appropriations	Expenditures	Excess Expenditures
Fund 61 - Harvest Fest	\$ 87,644	\$ 88,666	\$ 1,022
Fund 67 - AB2928 Gas Tax	35,262	42,512	7,250
Fund 73 - CLEEP	-	543	543
Fund 94 - Admin/Safety	-	3,872	3,872
Fun 107 - Las Deltas Water	-	33,216	33,216
Fund 110 - C-06-8124-110	-	16,781	16,781
Fund 122 - 12-CDBG-8387	159,000	169,545	10,545
	\$ 281,906	\$ 355,135	\$ 73,229

CITY OF FIREBAUGH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

ADDITIONAL DISCLOSURES - DEBT SERVICE REQUIREMENTS

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2016 are as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal Amount	Interest	Principal Amount	Interest
2017	\$ 27,683	\$ 1,373	\$ 187,836	\$ 353,934
2018	-	-	192,760	346,373
2019	-	-	202,686	338,424
2020	-	-	212,444	330,265
2021	-	-	222,222	321,580
2022	-	-	231,886	312,597
2023	-	-	241,458	303,171
2024	-	-	246,024	293,420
2025	-	-	260,480	283,423
2026	-	-	259,920	272,900
2027	-	-	274,124	262,251
2028	-	-	293,026	251,123
2029	-	-	296,926	239,297
2030	-	-	310,702	227,157
2031	-	-	329,298	214,540
2032	-	-	220,000	202,331
2033	-	-	225,000	193,153
2034	-	-	235,000	183,872
2035	-	-	245,000	174,076
2036	-	-	255,000	163,866
2037	-	-	265,000	153,244
2038	-	-	275,000	142,210
2039	-	-	285,000	130,763
2040	-	-	300,000	118,903
2041	-	-	310,000	106,425
2042	-	-	320,000	93,535
2043	-	-	340,000	80,128
2044	-	-	350,000	66,001
2045	-	-	365,000	51,459
2046	-	-	380,000	36,197
2047	-	-	395,000	20,419
2048	-	-	190,000	3,919
	\$ <u>27,683</u>	\$ <u>1,373</u>	\$ <u>8,716,792</u>	\$ <u>6,270,956</u>

(Continued on the following page)

CITY OF FIREBAUGH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

ADDITIONAL DISCLOSURES - DEBT SERVICE REQUIREMENTS, Continued

Years ending June 30,	<u>Sewer USDA Loan</u>		<u>2007 USDA Water Certification of Participation</u>	
	Principal Amount	Interest	Principal Amount	Interest
2017	\$ 55,000	\$ 140,766	\$ 65,000	\$ 160,669
2018	55,000	138,497	65,000	157,988
2019	60,000	136,125	70,000	155,306
2020	60,000	133,650	70,000	152,419
2021	65,000	131,072	75,000	149,531
2022	65,000	128,391	80,000	146,438
2023	70,000	125,606	80,000	143,138
2024	70,000	122,719	85,000	139,838
2025	75,000	119,728	90,000	136,331
2026	75,000	116,634	90,000	132,619
2027	80,000	113,438	95,000	128,906
2028	85,000	110,034	100,000	124,988
2029	85,000	106,528	105,000	120,863
2030	90,000	102,919	110,000	116,531
2031	95,000	99,103	115,000	111,994
2032	100,000	95,081	120,000	107,250
2033	105,000	90,853	120,000	102,300
2034	105,000	86,522	130,000	97,350
2035	110,000	82,088	135,000	91,988
2036	115,000	77,447	140,000	86,419
2037	120,000	72,600	145,000	80,644
2038	125,000	67,547	150,000	74,663
2039	130,000	62,288	155,000	68,475
2040	135,000	56,822	165,000	62,081
2041	140,000	51,150	170,000	55,275
2042	145,000	45,272	175,000	48,263
2043	155,000	39,084	185,000	41,044
2044	160,000	32,588	190,000	33,413
2045	165,000	25,884	200,000	25,575
2046	175,000	18,872	205,000	17,325
2047	180,000	11,550	215,000	8,869
2048	190,000	3,919	-	-
	-	-	-	-
	\$ <u>3,440,000</u>	\$ <u>2,744,777</u>	\$ <u>3,895,000</u>	\$ <u>3,078,493</u>

(Continued on the following page)

CITY OF FIREBAUGH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

ADDITIONAL DISCLOSURES - DEBT SERVICE REQUIREMENTS, Continued

Years ending June 30,	<u>Sewer USDA Loan</u>			<u>Fire Truck Lease</u>	
	Principal Amount	Interest		Principal Amount	Interest
2017	\$ 67,836	\$ 52,499	2017	\$ 27,683	\$ 1,373
2018	72,760	49,888		-	-
2019	72,686	46,993		\$ 27,683	\$ 1,373
2020	82,444	44,196			
2021	82,222	40,977			
2022	86,886	37,768			
2023	91,458	34,427			
2024	91,024	30,863			
2025	95,480	27,364			
2026	94,920	23,647			
2027	99,124	19,907			
2028	108,026	16,101			
2029	106,926	11,906			
2030	110,702	7,707			
2031	119,298	3,443			
	-	-			
	\$ <u>1,381,792</u>	\$ <u>447,686</u>			

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**CITY OF FIREBAUGH, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Schedule of Funding Progress - Other Postemployment Benefits on Page 40, presents a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

BUDGETARY BASIS OF ACCOUNTING

The approved City procedures for establishing the budgetary data reflected in the financial statements is as follows:

In May of each year, the Finance Department is to submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted at City Hall to obtain taxpayer comments.

Generally by the first of July, after adjustment as appropriate by the City Council, the budget is to be legally enacted through council motion.

Council approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).

Formal budgetary integration is employed as a management control device during the year for the General fund, and Special Revenue funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments. The HOME Grant major special revenue fund did not have a legally adopted budget.

All unused appropriations for budgeted amounts lapse at the end of the year.

Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate document presenting this information is available.

The City does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

CITY OF FIREAUGH
REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB
As of June 30, 2016
Last 10 Years*

CalPERS Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	2015	2016	2015	2016
City's proportion of the net pension liability	<u>0.67300%</u>	<u>0.72900%</u>	<u>0.56370%</u>	<u>0.64300%</u>
City's proportionate share of the net pension liability	<u>\$ 1,664,056</u>	<u>\$ 1,659,380</u>	<u>\$ 2,114,718</u>	<u>\$ 2,342,743</u>
City's covered-employee payroll	<u>\$ 997,095</u>	<u>\$ 1,098,749</u>	<u>\$ 1,920,580</u>	<u>\$ 1,859,893</u>
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	<u>166.89%</u>	<u>151.02%</u>	<u>110.11%</u>	<u>125.96%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>83.37%</u>	<u>81.41%</u>	<u>79.81%</u>

Notes to Schedule:

Change of benefit terms — In 2015, there were no changes to the benefit terms.

Changes in assumptions — In 2015, there were no changes in assumptions.

Schedule of the City's Proportionate Share of the Net Pension Liability

	2015	2016	2015	2016
Contractually required contribution (actuarially determined)	\$ 139,815	\$ 157,234	\$ 451,833	\$ 601,159
Contributions in relation to the contractually required contributions	<u>(139,815)</u>	<u>(157,234)</u>	<u>(451,833)</u>	<u>(601,159)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 997,095</u>	<u>\$ 1,098,749</u>	<u>\$ 1,920,580</u>	<u>\$ 1,859,893</u>
Contributions as a percentage of covered-employee payroll	<u>14.02%</u>	<u>14.31%</u>	<u>23.53%</u>	<u>32.32%</u>

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The table below shows a one year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2015, for the City other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

Miscellaneous Plan:

Actuarial Valuation Date	July 1, 2009	July 2, 2013
Actuarial Accrued Liability (AAL) Entry Age	\$ 1,094,063	\$ 1,138,594
Actuarial Value of Assets	-	178,863
Unfunded Liability (UAAL)	<u>\$ 1,094,063</u>	<u>\$ 959,731</u>
Funded Status	<u>0.00%</u>	<u>0.00%</u>
Annual Covered Payroll	<u>\$ 2,953,000</u>	<u>\$ 2,491,787</u>
UAAL as a % of Payroll	<u>37.05%</u>	<u>38.52%</u>

CITY OF FIREBAUGH, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016

	Gas Tax	Local Transportation	Development Impact Fees
ASSETS			
Cash and investments	\$ 137,623	\$ 407,339	\$ 243,284
Accounts receivable (net of allowance)	13,856	-	9,605
Loans receivable	-	-	-
Total Assets	<u>\$ 151,479</u>	<u>\$ 407,339</u>	<u>\$ 252,889</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,707	\$ 6,508	\$ 2,731
Deposits payable	-	-	-
Due to other funds	-	-	9,607
Unearned revenue	-	-	-
Total Liabilities	<u>1,707</u>	<u>6,508</u>	<u>12,338</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved:			
Undesignated	<u>149,772</u>	<u>400,831</u>	<u>240,551</u>
Total Fund Balances	<u>149,772</u>	<u>400,831</u>	<u>240,551</u>
Total Liabilities and Fund Balances	<u>\$ 151,479</u>	<u>\$ 407,339</u>	<u>\$ 252,889</u>

See the accompanying notes
to the required supplementary
information.

Measure C Funds	Landscape Maintenance	Public Safety	Low Moderate Housing Assets	Totals
\$ 551,037	\$ 48,052	\$ 58,191	\$ 44,194	\$ 1,489,720
17,547	-	2,712	-	43,720
-	-	-	350,000	350,000
<u>\$ 568,584</u>	<u>\$ 48,052</u>	<u>\$ 60,903</u>	<u>\$ 394,194</u>	<u>\$ 1,883,440</u>

\$ 20,982	\$ 2,253	\$ 11,252	\$ -	\$ 45,433
-	-	-	-	-
-	-	-	-	9,607
-	-	-	-	-
<u>20,982</u>	<u>2,253</u>	<u>11,252</u>	<u>-</u>	<u>55,040</u>

-	-	-	350,000	350,000
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-	-	-	-	-
-	-	-	-	-
<u>547,602</u>	<u>45,799</u>	<u>49,651</u>	<u>44,194</u>	<u>1,478,400</u>
<u>547,602</u>	<u>45,799</u>	<u>49,651</u>	<u>44,194</u>	<u>1,478,400</u>
<u>\$ 568,584</u>	<u>\$ 48,052</u>	<u>\$ 60,903</u>	<u>\$ 394,194</u>	<u>\$ 1,883,440</u>

**CITY OF FIREBAUGH, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Gas Tax	Transportation Funds	Development Impact Fees
REVENUES			
Taxes and assessments	\$ 169,358	\$ -	\$ -
Use of money	191	337	-
Intergovernmental	-	183,614	349,739
Charges for services	-	-	61,839
Other revenues	-	-	320
Total Revenues	<u>169,549</u>	<u>183,951</u>	<u>411,898</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public ways and facilities	147,004	110,358	352,952
Public protection	-	-	3,872
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	24,909	-	-
Total Expenditures	<u>171,913</u>	<u>110,358</u>	<u>356,824</u>
Excess of Revenues Over(Under) Expenditures	<u>(2,364)</u>	<u>73,593</u>	<u>55,074</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,364)	73,593	55,074
Fund Balances - Beginning	152,136	327,238	185,477
Prior period adjustment	-	-	-
Fund Balances - Beginning, Restated	<u>152,136</u>	<u>327,238</u>	<u>185,477</u>
Fund Balances - Ending	<u>\$ 149,772</u>	<u>\$ 400,831</u>	<u>\$ 240,551</u>

See the accompanying notes
to the required supplementary
information.

Measure C Funds	Landscape Maintenance	Public Safety	Low-Moderate Housing Assets	Totals
\$ -	\$ -	\$ -	\$ -	\$ 169,358
359	64	170	-	1,121
258,381	45,410	130,053	-	967,197
-	-	-	-	61,839
-	-	-	10,022	10,342
<u>258,740</u>	<u>45,474</u>	<u>130,223</u>	<u>10,022</u>	<u>1,209,857</u>
-	-	-	-	-
118,389	26,978	-	-	755,681
-	-	145,049	-	148,921
-	-	-	-	-
-	-	-	-	-
-	-	-	-	24,909
<u>118,389</u>	<u>26,978</u>	<u>145,049</u>	<u>-</u>	<u>929,511</u>
<u>140,351</u>	<u>18,496</u>	<u>(14,826)</u>	<u>10,022</u>	<u>280,346</u>
-	-	-	12,326	12,326
-	-	-	(29,025)	(29,025)
-	-	-	(16,699)	(16,699)
140,351	18,496	(14,826)	(6,677)	263,647
407,251	27,303	64,477	50,871	1,214,753
-	-	-	-	-
<u>407,251</u>	<u>27,303</u>	<u>64,477</u>	<u>50,871</u>	<u>1,214,753</u>
<u>\$ 547,602</u>	<u>\$ 45,799</u>	<u>\$ 49,651</u>	<u>\$ 44,194</u>	<u>\$ 1,478,400</u>

CITY OF FIREBAUGH, CALIFORNIA
SCHEDULE OF NET REVENUE AVAILABLE FOR DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities -		
	Sewer	Water	Airport
OPERATING REVENUES			
Charges for services	\$ 1,433,868	\$ 1,669,608	\$ 20,660
Delinquent Fees	-	37,720	-
Waste Discharge Fees	2,401	-	-
Toma Tek Service and Reimbursement Revenue	108,716	-	-
Other	59	25,552	-
Total Available Revenues	<u>1,545,044</u>	<u>1,732,880</u>	<u>20,660</u>
OPERATING EXPENSES			
Personnel costs	277,694	288,463	12,732
Supplies Maintenance and Operations	267,986	425,761	5,248
Contractual Services and Utilities	216,972	329,687	10,825
Other expense	4,139	27,671	84
Total Operations and Maintenance	<u>766,791</u>	<u>1,071,582</u>	<u>28,889</u>
NON OPERATING REVENUES AND EXPENSES			
Capacity Charge Revnue	-	-	-
Investment Earnings	3,363	2,851	-
Net Non-operating revenues (expenses)	<u>3,363</u>	<u>2,851</u>	<u>-</u>
TOTAL NET REVENUE AVAILABLE FOR DEBT SERVICE	\$ <u>781,616</u>	\$ <u>664,149</u>	\$ <u>(8,229)</u>
DEBT SERVICE REQUIREMENTS			
1976 Firebaugh Sewer Revenue Bond	\$ 29,400	\$ -	\$ -
2013 Water Revenue Bond	-	122,978	-
2007 USDA Certification of Participation	-	223,144	-
2008 USDA Sewer Loan	192,932	-	-
Total Debt Service	<u>222,332</u>	<u>346,122</u>	<u>-</u>
Net Revenue after Debt Service	<u>\$ 559,284</u>	<u>\$ 318,027</u>	<u>\$ (8,229)</u>
Debt Service Coverage Ratio	<u>3.52</u>	<u>1.92</u>	<u>N/A</u>

See the accompanying notes
to the required supplementary
information.

OTHER REPORTS AND SCHEDULES

**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**

Donald R. Reynolds

Certified Public Accountant

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

The Honorable Mayor and Members of the City Council
City of Firebaugh
Firebaugh, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Firebaugh, as of and for the year ended June 30, 2016, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated January 5, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

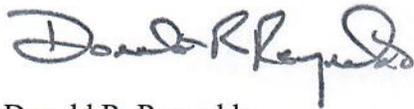
The Honorable Mayor and Members of the City Council
City of Firebaugh
Firebaugh, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Firebaugh's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Donald R. Reynolds
Certified Public Accountant
January 5, 2017