

CITY OF FIREBAUGH

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 46 – 48, page 49, and page 50, respectively, 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.

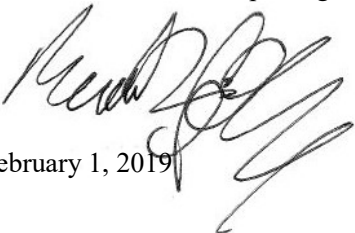
Other Information

Our 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 combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures and federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 February 1, 2019, 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.



February 1, 2019

CITY OF FIREBAUGH

STATEMENT OF NET POSITION JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 6,638,784	\$ 4,228,408	\$ 10,867,192
Accounts receivable (net of allowance)	341,098	286,686	627,784
Due from other governments	305,399	3,520	308,919
Interest receivable	20,188	-	20,188
Notes and loans receivable	1,906,293	-	1,906,293
Internal balances	(815,007)	815,007	-
Capital assets, net of allowance for depreciation	3,104,789	16,028,229	19,133,018
Total assets	11,501,544	21,361,850	32,863,394
DEFERRED OUTFLOWS OF RESOURCES			
	1,288,477	232,562	1,521,039
LIABILITIES			
Accounts payable	262,730	82,276	345,006
Accrued expenses	71,782	32,622	104,404
Accrued interest payable	-	57,346	57,346
Deposits	13,790	79,924	93,714
Compensated absences	78,835	32,700	111,535
Long-term liabilities:			
Bonds payable:			
Due within one year	-	222,685	222,685
Due in more than one year	-	8,068,513	8,068,513
Net other post employment benefits	2,405,490	1,053,158	3,458,648
Net pension liability	3,355,450	557,738	3,913,188
Total liabilities	6,188,077	10,186,962	16,375,039
DEFERRED INFLOWS OF RESOURCES			
	315,551	109,322	424,873
NET POSITION			
Net investment in capital assets	3,104,789	7,737,031	10,841,820
Restricted for:			
Public ways and facilities	1,409,862	-	1,409,862
Public safety programs	137,078	-	137,078
Low-income housing activities	135,745	-	135,745
Capital projects and improvements	1,477,347	-	1,477,347
Unrestricted	21,572	3,561,097	3,582,669
Total net position	\$ 6,286,393	\$ 11,298,128	\$ 17,584,521

CITY OF FIREBAUGH

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 664,071	\$ 60,823	\$ 12,148	\$ -	\$ (591,100)	\$ -	\$ (591,100)
Public ways and facilities	1,426,427	469,943	369,892	283,427	(303,165)	-	(303,165)
Public protection	2,096,137	202,944	225,999	1,200,000	(467,194)	-	(467,194)
Culture and recreation	460,763	41,098	-	-	(419,665)	-	(419,665)
Community development	432,391	106,143	-	1,452,726	1,126,478	-	1,126,478
Total governmental activities	<u>5,079,789</u>	<u>880,951</u>	<u>608,039</u>	<u>2,936,153</u>	<u>(654,646)</u>	<u>-</u>	<u>(654,646)</u>
Business-type activities							
Sewer	1,640,341	1,541,266	68,225	-	-	(30,850)	(30,850)
Water	1,915,064	1,663,225	-	-	-	(251,839)	(251,839)
Airport	22,600	21,030	20,000	-	-	18,430	18,430
Total business-type activities	<u>3,578,005</u>	<u>3,225,521</u>	<u>88,225</u>	<u>-</u>	<u>-</u>	<u>(264,259)</u>	<u>(264,259)</u>
Total primary government	<u>\$ 8,657,794</u>	<u>\$ 4,106,472</u>	<u>\$ 696,264</u>	<u>\$ 2,936,153</u>	<u>(654,646)</u>	<u>(264,259)</u>	<u>(918,905)</u>
General Revenue							
Property taxes					392,285	5,808	398,093
Sales and use taxes					2,659,380	-	2,659,380
Franchise taxes					118,894	-	118,894
Grants and contributions - unrestricted					2,543	-	2,543
Interest and investment earnings					27,905	18,998	46,903
Miscellaneous					197,476	7,361	204,837
Gain on sale of assets					18,974	-	18,974
Total general revenue					<u>3,417,457</u>	<u>32,167</u>	<u>3,449,624</u>
Change in Net Position					2,762,811	(232,092)	2,530,719
Net Position							
Beginning of year, re-stated					3,523,582	11,530,220	15,053,802
End of year					<u>\$ 6,286,393</u>	<u>\$ 11,298,128</u>	<u>\$ 17,584,521</u>

See accompanying notes.

CITY OF FIREBAUGH

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2018

	General	Community Development	Housing	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 4,795,324	\$ -	\$ 115,557	\$ 1,727,903	\$ 6,638,784
Accounts receivable	193,264	-	-	147,834	341,098
Due from other governments	1,437	303,962	-	-	305,399
Due from other funds	221,234	-	-	-	221,234
Interest receivable	-	-	20,188	-	20,188
Notes and loans receivable	-	-	1,906,293	-	1,906,293
Total assets	<u>\$ 5,211,259</u>	<u>\$ 303,962</u>	<u>\$ 2,042,038</u>	<u>\$ 1,875,737</u>	<u>\$ 9,432,996</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expense	100,531	136,655	-	25,544	262,730
Accrued salaries and benefits	123,660	1,449	-	25,508	150,617
Due to other funds	-	220,836	-	398	221,234
Advances from other funds	815,007	-	-	-	815,007
Deposits	13,790	-	-	-	13,790
Total liabilities	<u>1,052,988</u>	<u>358,940</u>	<u>-</u>	<u>51,450</u>	<u>1,463,378</u>
Deferred inflows of resources					
Unavailable revenues	-	-	1,906,293	-	1,906,293
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,906,293</u>	<u>-</u>	<u>1,906,293</u>
Fund Balance					
Restricted					
Public ways and facilities	-	-	-	1,409,862	1,409,862
Public safety programs	-	-	-	137,078	137,078
Low-income housing activities	-	-	135,745	-	135,745
Capital projects and improvements	1,200,000	-	-	277,347	1,477,347
Unassigned	2,958,271	(54,978)	-	-	2,903,293
Total fund balance	<u>4,158,271</u>	<u>(54,978)</u>	<u>135,745</u>	<u>1,824,287</u>	<u>6,063,325</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,211,259</u>	<u>\$ 303,962</u>	<u>\$ 2,042,038</u>	<u>\$ 1,875,737</u>	<u>\$ 9,432,996</u>

See accompanying notes.

CITY OF FIREBAUGH

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

Total governmental fund balance	\$ 6,063,325
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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	1,906,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	3,104,789
Post-retirement health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds	(2,405,490)
Deferred outflows of resources related to net pension liability, represent an consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expenses) until that time	1,288,477
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the governmental funds	(3,355,450)
Deferred inflows of resources related to net pension liability, represent an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	<u>(315,551)</u>
Net position of governmental activities	<u>\$ 6,286,393</u>

CITY OF FIREBAUGH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

	General	Community Development	Housing	Non-Major Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 2,968,720	\$ -	\$ -	\$ 225,971	\$ 3,194,691
Licenses and permits	164,127	-	-	751	164,878
Intergovernmental	1,234,348	1,592,173	-	740,650	3,567,171
Charges for services	600,845	-	-	-	600,845
Fines and forfeitures	22,823	-	-	-	22,823
Loan repayments	-	-	60,407	-	60,407
Investment income	48,655	-	19,890	4,653	73,198
Other	190,694	-	-	9,325	200,019
Total revenue	<u>5,230,212</u>	<u>1,592,173</u>	<u>80,297</u>	<u>981,350</u>	<u>7,884,032</u>
Expenditures					
Current					
General government	232,035	-	-	33,746	265,781
Public ways and facilities	473,134	-	-	508,694	981,828
Public protection	1,899,616	-	-	118,725	2,018,341
Culture and recreation	284,488	-	-	4,980	289,468
Community development	147,364	283,553	-	-	430,917
Capital outlay	30,000	1,356,642	-	30,282	1,416,924
Total expenditures	<u>3,066,637</u>	<u>1,640,195</u>	<u>-</u>	<u>696,427</u>	<u>5,403,259</u>
Revenue over/(under) expenditures	2,163,575	(48,022)	80,297	284,923	2,480,773
Other Financing Sources/(Uses)					
Sale of assets	18,974	-	-	-	18,974
Total other financing sources/(uses)	<u>18,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,974</u>
Change in Fund Balance	2,182,549	(48,022)	80,297	284,923	2,499,747
Fund Balance					
Beginning of year, re-stated	1,975,722	(6,956)	55,448	1,539,364	3,563,578
End of year	<u>\$ 4,158,271</u>	<u>\$ (54,978)</u>	<u>\$ 135,745</u>	<u>\$ 1,824,287</u>	<u>\$ 6,063,325</u>

See accompanying notes.

CITY OF FIREBAUGH

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

Net change in fund balance - total governmental funds	\$ 2,499,747
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the Governmental Funds	(179,153)
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Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service	1,416,924
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In the Statement of Activities loss on uncollectible loans does not require the use of current financial resources and, therefore, is not reported as expenditures in the Governmental Funds	(112,613)
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Post-retirement benefit costs in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds	(235,946)
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Repayment of long-term notes receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position	(60,407)
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Pension 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	<u>(565,741)</u>
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Change in net position of governmental activities	<u><u>\$ 2,762,811</u></u>
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CITY OF FIREBAUGH

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Sewer	Water	Airport	
ASSETS				
Current assets				
Cash and investments	\$ 1,941,794	\$ 2,240,194	\$ 46,420	\$ 4,228,408
Accounts and interest receivable	134,320	150,595	1,771	286,686
Due from government	311	3,209	-	3,520
Total current assets	<u>2,076,425</u>	<u>2,393,998</u>	<u>48,191</u>	<u>4,518,614</u>
Non-current assets				
Advances to other funds	735,007	80,000	-	815,007
Property, plant and equipment, net of allowance for depreciation	<u>5,593,843</u>	<u>10,434,386</u>	<u>-</u>	<u>16,028,229</u>
Total noncurrent assets	<u>6,328,850</u>	<u>10,514,386</u>	<u>-</u>	<u>16,843,236</u>
Total assets	<u>8,405,275</u>	<u>12,908,384</u>	<u>48,191</u>	<u>21,361,850</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>113,651</u>	<u>116,981</u>	<u>1,930</u>	<u>232,562</u>
LIABILITIES				
Current liabilities				
Accounts payable	26,706	54,596	974	82,276
Accrued expenses	29,457	35,588	277	65,322
Accrued interest	40,973	16,373	-	57,346
Deposits	-	79,924	-	79,924
Current portion of long-term debt	<u>152,685</u>	<u>70,000</u>	<u>-</u>	<u>222,685</u>
Total current liabilities	<u>249,821</u>	<u>256,481</u>	<u>1,251</u>	<u>507,553</u>
Non-current liabilities				
Bonds payable	3,167,315	4,901,198	-	8,068,513
Net other pension benefits	518,797	534,361	-	1,053,158
Net pension liability	<u>272,154</u>	<u>280,519</u>	<u>5,065</u>	<u>557,738</u>
Total noncurrent liabilities	<u>3,958,266</u>	<u>5,716,078</u>	<u>5,065</u>	<u>9,679,409</u>
Total liabilities	<u>4,208,087</u>	<u>5,972,559</u>	<u>6,316</u>	<u>10,186,962</u>
DEFERRED INFLOWS OF RESOURCES	<u>53,753</u>	<u>55,372</u>	<u>197</u>	<u>109,322</u>
NET POSITION				
Net investment in capital assets	2,273,843	5,463,188	-	7,737,031
Unrestricted	<u>1,983,243</u>	<u>1,534,246</u>	<u>43,608</u>	<u>3,561,097</u>
Total net position	<u>\$ 4,257,086</u>	<u>\$ 6,997,434</u>	<u>\$ 43,608</u>	<u>\$ 11,298,128</u>

CITY OF FIREBAUGH

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Sewer	Water	Airport	
Operating Revenue				
Charges for services	\$ 1,541,266	\$ 1,663,225	\$ 21,030	\$ 3,225,521
Total operating income	<u>1,541,266</u>	<u>1,663,225</u>	<u>21,030</u>	<u>3,225,521</u>
Operating Expense				
Personnel	383,236	383,535	4,805	771,576
Utilities	138,502	352,430	3,437	494,369
Supplies and materials	64,747	81,123	-	145,870
Maintenance and operations	361,992	233,295	3,286	598,573
Contractual services	256,179	132,830	2,715	391,724
Depreciation	258,207	481,274	-	739,481
Other expenses	82,072	87,019	8,357	177,448
Total operating expense	<u>1,544,935</u>	<u>1,751,506</u>	<u>22,600</u>	<u>3,319,041</u>
Operating income/(loss)	<u>(3,669)</u>	<u>(88,281)</u>	<u>(1,570)</u>	<u>(93,520)</u>
Nonoperating Revenue/(Expense)				
Intergovernmental	68,225	-	20,000	88,225
Investment income	8,446	10,552	-	18,998
Other revenue	666	6,694	5,809	13,169
Interest expense	(95,406)	(163,558)	-	(258,964)
Total nonoperating revenue/(expense)	<u>(18,069)</u>	<u>(146,312)</u>	<u>25,809</u>	<u>(138,572)</u>
Change in Net Position	<u>(21,738)</u>	<u>(234,593)</u>	<u>24,239</u>	<u>(232,092)</u>
Net Position				
Beginning of year, as restated	<u>4,278,824</u>	<u>7,232,027</u>	<u>19,369</u>	<u>11,530,220</u>
End of year	<u>\$ 4,257,086</u>	<u>\$ 6,997,434</u>	<u>\$ 43,608</u>	<u>\$ 11,298,128</u>

CITY OF FIREBAUGH

STATEMENT OF CASH FLOW – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Sewer	Water	Airport	
Operating Activities				
Receipts from customers and users	\$ 1,556,521	\$ 1,743,419	\$ 19,259	\$ 3,319,199
Payment to suppliers of goods and services	(1,345,070)	(874,637)	(18,896)	(2,238,603)
Payment to employees	(472,229)	(455,763)	(7,422)	(935,414)
Net cash provided by (used in) operating activities	(260,778)	413,019	(7,059)	145,182
Non-capital Financial Activities				
Payments from other governments	68,580	3,485	25,809	97,874
Net cash provided by (used in) noncapital financing activities	68,580	3,485	25,809	97,874
Capital and Related Financing Activities				
Purchase of property, plant and equipment	(78,679)	-	-	(78,679)
Principal paid on long-term debt	(95,000)	(150,046)	-	(245,046)
Interest paid on long-term debt	(110,213)	(167,201)	-	(277,414)
Net cash provided by (used in) capital and related financing activities	(283,892)	(317,247)	-	(601,139)
Investing Activities				
Interest received	8,446	10,552	-	18,998
Net cash provided by investing activities	8,446	10,552	-	18,998
Net Increase (Decrease) in Cash	(467,644)	109,809	18,750	(339,085)
Cash				
Beginning of year	2,409,438	2,130,385	27,670	4,567,493
End of year	\$ 1,941,794	\$ 2,240,194	\$ 46,420	\$ 4,228,408
Cash Flows from Operating Activities				
Operating income (loss)	\$ (3,669)	\$ (88,281)	\$ (1,570)	\$ (93,520)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	258,207	481,274	-	739,481
(Increase) Decrease in Accounts Receivable	15,255	77,254	(1,771)	90,738
(Increase) Decrease in Deferred Outflows of Resources	103,506	106,845	1,956	212,307
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(441,578)	12,060	(1,101)	(430,619)
Increase (Decrease) in Deposits	-	2,940	-	2,940
Increase (Decrease) in Compensated Absences	14,558	35,390	277	50,225
Increase (Decrease) in Deferred Inflows of Resources	22,445	22,101	(386)	44,160
Increase (Decrease) in OPEB liability	10,348	10,658	-	21,006
Increase (Decrease) in Net Pension Liability	(239,850)	(247,222)	(4,464)	(491,536)
Net Cash Provided (Used) by Operating Activities	\$ (260,778)	\$ 413,019	\$ (7,059)	\$ 145,182

CITY OF FIREBAUGH

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2018

Assets

Cash and investments	\$ 1,011,511
Total assets	<u>1,011,511</u>

Liabilities

Accounts payable and accrued liabilities	5,135
Interest payable	25,954
Long-term debt	
Due within one year	212,753
Due in more than one year	<u>5,614,388</u>
Total liabilities	<u>5,858,230</u>

Net Position

Held in trust for other governments	<u>\$(4,847,772)</u>
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CITY OF FIREBAUGH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2018

Additions

Property taxes	\$ 799,853
Investment earnings	<u>801</u>
Total additions	800,654

Deductions

Program expenses	818,697
Interest and fiscal agency expenses	299,254
Loss on sale of land held for resale	<u>143,042</u>
Total deductions	<u>1,260,993</u>

Change In Net Position (460,339)

Net Position

Beginning of year, re-stated	<u>(4,387,433)</u>
End of year	<u><u>\$ (4,847,772)</u></u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Firebaugh (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City 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.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Community Development Fund – The Community Development Fund was established to account for the monies received from various sources which are to be used for the design and construction of various projects.

Housing Fund – The Housing Fund is used to account for grant revenues and expenditures related to housing assistance loans for low income individuals (HOME grants) and businesses (Low Moderate Housing Assets).

The City reports the following additional fund types:

Private-Purpose Trust Fund – The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Investments – Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Accounts Receivable – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year-end accrual for services through June 30, 2018, which have not yet been billed.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Secured property taxes are due in two installments, on November 1 and March 1, and become a lien on those dates. They become delinquent on December 10 and April 10, respectively. Collection of delinquent accounts is the responsibility of the County, which retains all penalties collected. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds – This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets – Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings, structures and improvements	40
Infrastructure	40
Utility plant	40
Furniture and equipment	7
Automobiles and trucks	5

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the City's policy to permit all employees to accumulate earned but unused vacation and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday and any compensation time that is expected to be paid with expendable available financial resources is reported as expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Sick leave can be accumulated, but vesting is limited and will not be paid upon termination. However, in past years unused sick leave could be used to pay post-employment health insurance. One retiree has unused benefits of \$58,271 at year end and this amount is reported as a compensated absence liability. For this reason, the City does not accrue any costs relating to sick leave.

Unearned Revenue – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to uncollected outstanding, performing loans and intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

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 Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Non-Current Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

Pension Plan – All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note 9 for further discussion.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Equity – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

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

Fund Equity – In the fund financial statements, governmental fund balance is made up of the following components:

- **Nonspendable fund balance** typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- **Restricted fund balance** category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- **Committed fund balance** classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- **Assigned fund balance** are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- **Unassigned fund balance** is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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

Implementation of New GASB Pronouncement – For the year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017. See notes 10 and 13 for details and impact of implementation on the financial statements.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Firebaugh Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

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

Statement of Net Position:

Cash and Investments	\$ 10,867,191
Fiduciary Funds:	
Cash and Investments	<u>1,011,511</u>
Total Cash and Investments	<u>\$ 11,878,702</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 575
Deposits with Financial Institutions	9,429,864
Local Agency Investment Fund	<u>2,448,263</u>
Total Cash and Investments	<u>\$ 11,878,702</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 3 – Cash and Investments (Continued)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

	Level 1	Level 2	Level 3	June 30, 2018 Balance
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$ 2,448,263	\$ -	\$ 2,448,263
Total Equity Securities	-	2,448,263	-	2,448,263
Investments carried at amortized cost:				
Bank Deposits and Cash on Hand				9,430,439
Total Investments amortized at cost				9,430,439
Total Investments				\$ 11,878,702

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	1 year	None	5%
U.S. Treasury Obligations	1 year	None	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	1 year	30%	None
Medium-Term Notes	1 year	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	1 year	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 the City had the following investments.

Investment Type	June 30, 2018	
	Balance	Maturity Date
Equity Securities:		
LAIF	\$ 2,448,263	N/A
Total Equity Securities	<u>\$ 2,448,263</u>	

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	<u>June 30, 2018 Balance</u>	<u>Minimum Legal Rating</u>	<u>Rating of Year End</u>
Equity Securities:			
LAIF	<u>\$ 2,448,263</u>	<u>N/A</u>	<u>Not Rated</u>
Total Equity Securities	<u>\$ 2,448,263</u>		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 – Notes Receivable

Revolving Loan Program – Long-term loans receivable of \$1,556,293 represent monies loaned to homebuyers in connection with a downpayment 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 homebuyer 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 on principal to date on this note.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 137,047	\$ -	\$ -	\$ 137,047
Construction in progress	267,365	1,356,642	-	1,624,007
Total capital assets, not being depreciated	<u>404,412</u>	<u>1,356,642</u>	<u>-</u>	<u>1,761,054</u>
Capital assets, being depreciated				
Buildings and improvements	1,338,503	-	-	1,338,503
Infrastructure	514,825	-	-	514,825
Machinery and equipment	2,103,888	60,282	-	2,164,170
Total capital assets, being depreciated	<u>3,957,216</u>	<u>60,282</u>	<u>-</u>	<u>4,017,498</u>
Less accumulated depreciation for:				
Buildings and improvements	(672,044)	(42,386)	-	(714,430)
Infrastructure	(128,710)	(12,871)	-	(141,581)
Machinery and equipment	(1,693,856)	(123,896)	-	(1,817,752)
Total accumulated depreciation	<u>(2,494,610)</u>	<u>(179,153)</u>	<u>-</u>	<u>(2,673,763)</u>
Total capital assets, being depreciated, net	<u>1,462,606</u>	<u>(118,871)</u>	<u>-</u>	<u>1,343,735</u>
Governmental activities capital assets, net	<u>\$ 1,867,018</u>	<u>\$ 1,237,771</u>	<u>\$ -</u>	<u>\$ 3,104,789</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 203,705	\$ -	\$ -	\$ 203,705
Total capital assets, not being depreciated	<u>203,705</u>	<u>-</u>	<u>-</u>	<u>203,705</u>
Capital assets, being depreciated				
Buildings and infrastructure	24,284,841	-	-	24,284,841
Machinery and equipment	1,067,924	78,679	-	1,146,603
Total capital assets, being depreciated	<u>25,352,765</u>	<u>78,679</u>	<u>-</u>	<u>25,431,444</u>
Less: accumulated depreciation	<u>(8,867,439)</u>	<u>(739,481)</u>	<u>-</u>	<u>(9,606,920)</u>
Total capital assets, being depreciated, net	<u>16,485,326</u>	<u>(660,802)</u>	<u>-</u>	<u>15,824,524</u>
Business-type activities capital assets, net	<u>\$ 16,689,031</u>	<u>\$ (660,802)</u>	<u>\$ -</u>	<u>\$ 16,028,229</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 5 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	60,626
Public Safety		86,447
Public Works		32,080
	\$	<u>179,153</u>

Business-Type Functions:

Sewer	\$	258,207
Water		481,274
	\$	<u>739,481</u>

Note 6 – Long-term Liabilities

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>
<u>Business-Type Activity Long Term Debt</u>					
Bonds payable:					
2013 Water Revenue Refunding Bond	\$ 1,316,244	\$ -	\$ 75,046	\$ 1,241,198	\$ 72,685
2016 Wastewater Refunding Bond	3,415,000	-	95,000	3,320,000	70,000
2016 Water Refunding Bund	<u>3,805,000</u>	<u>-</u>	<u>75,000</u>	<u>3,730,000</u>	<u>80,000</u>
Total long-term debt	<u>\$ 8,536,244</u>	<u>\$ -</u>	<u>\$ 245,046</u>	<u>\$ 8,291,198</u>	<u>\$ 222,685</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 6 – Long-Term Liabilities (Continued)

Long-term debt payable at June 30, 2018 was comprised of the following individual issues:

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%.

2016 USDA Water Refunding Bonds – In 2016 the City issued \$3,945,000 of Water Revenue Refunding Bonds. The proceeds of the issue were used to refinance the 2007 USDA Water Certificate of Participation. Interest on the Bond is payable semi-annually on November 1 and June 1 each year, with an interest rate of 3.5% per annum. Principal is paid annually on June 1. 100% of water revenues are pledged for the repayment of principal. The City realized a gain of \$315,253 on the refinance as measured by the difference between the net present value of the old payment and the net present value of the new payment stream. Pursuant to the provisions of the Bond agreement, the City has established a Rate Stabilization Fund and made an initial deposit of \$500,000 in fiscal year 2016-17, \$250,000 was used to cover debt ratio, leaving a current ending balance of \$250,000 at June 30, 2018. Debt service is secured by a pledge of net revenues of the City's Water System. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water system which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all water operation and maintenance costs and all bond installment payments and produce net water revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2018. Cash basis debt service paid during the fiscal year ended June 30, 2018 totaled \$323,560. Total water system net revenues calculated in accordance with the covenants were \$410,242 and net revenue available for debt service was 1.27 times debt service at June 30, 2018.

2016 Wastewater Refunding Bonds – In 2016 the City issued \$3,415,000 of Wastewater Revenue Refunding Bonds. The proceeds of the issue were used for refinance of the 2008 USDA Sewer Loan Payable. Interest on the Bond is payable semi-annually on February 1 and August 1 each year, with an interest rate of 3.5% per annum. Principal is paid annually on August 1. 100% of wastewater revenues are pledged for the repayment of principal. The City realized a gain of \$326,903 on the refinance as measured by the difference between the net present value of the old payment stream and the net present value of the new payment stream. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the sewer system which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all sewer operation and maintenance costs and all bond installment payments and produce net sewer revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2018. Cash basis debt service paid during the fiscal year ended June 30, 2018 totaled \$177,163. Total sewer system net revenues calculated in accordance with the covenants were \$263,648 and net revenue available for debt service was 1.49 times debt service at June 30, 2018.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 6 – Long-Term Liabilities (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2018 are as follows:

Years ending June 30,	Business-Type Activities	
	Principal	Interest
2019	\$ 222,685	\$ 281,087
2020	232,444	274,944
2021	242,222	267,972
2022	251,886	260,387
2023	256,459	252,048
2024-2028	1,383,575	1,129,111
2029-2033	1,416,928	866,652
2034-2038	1,255,000	659,944
2039-2043	1,480,000	438,606
2044-2048	1,550,000	166,513
2049-2053	-	3,063
	<u>\$ 8,291,198</u>	<u>\$ 4,600,325</u>

Note 7 – Interfund Balances

Interfund balances as of June 30, 2018 consist of the following:

	Due From	Due To
Major Funds:		
General Fund	\$ 221,234	\$ -
Community Development	-	220,836
Non Major Funds:		
Gas Tax	-	398
	<u>\$ 221,234</u>	<u>\$ 221,234</u>
	Advances From	Advances To
Major Funds:		
General Fund	\$ -	\$ 815,007
Enterprise Funds:		
Sewer	735,007	-
Water	80,000	-
	<u>\$ 815,007</u>	<u>\$ 815,007</u>

All balances reported as “due to/due from” are short-term loans to cover temporary fund cash shortages as of June 30, 2018, and were repaid early in fiscal year 2019.

Balances reported as “advance to/advance from” were for capital project expenditures and have scheduled repayments in future years.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 8 – Deficit Fund Balance

Fund Balance Deficits – The Community Development Fund has a deficit fund balance as of June 30, 2018 of \$8,506. The deficit is expected to be relieved from future revenues or transfers from other funds.

Note 9 – Pension Plan

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

Funding Policy – Participants are required to contribute eight percent (nine percent for safety employees) of their annual covered salary. The City contributes the employees required share for administrative and public works employees and 5% and 4% of the police and dispatchers required share, respectively. The City is required to contribute at an actuarially determined rate; the current rate is 6.533 – 10.110 percent for non-safety employees and 11.990 – 17.875 percent for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

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

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 9 – Pension Plan (continued)

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

	Miscellaneous	Safety
	Prior to	Prior to
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.5% at 55; maximum 2% COLA	3.0% at 55; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	55
Monthly Benefits, as a % of Eligible Compensation	2.50%	3.00%
Required Employee Contribution Rates	8.00%	9.00%
Required Employer Contribution Rates	10.110%	17.875%

	PEPRA Miscellaneous	PEPRA Safety
	On or After	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% at 62; maximum 2% COLA	2.7% at 57; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.70%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	6.533%	11.990%

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 July 1 following the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 455,915
Contributions – employee	\$ 152,553

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 9 – Pension Plan (continued)

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,831,727
Safety	2,081,461
Total	<u>\$ 3,913,188</u>

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2016	0.04584%	0.03579%
Proportion - June 30, 2017	0.04647%	0.03483%
Change - Increase/(Decrease)	<u>0.00063%</u>	<u>-0.00096%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$750,983. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 455,917	\$ -
Change in employer's proportion	134,776	(51,054)
Differences between employer's contributions and proportionate share of contributions	71,696	-
Differences between expected and actual experience	25,987	(38,431)
Changes of assumptions	623,480	(47,697)
Differences between projected and actual investment earnings	<u>138,208</u>	<u>-</u>
Total	<u>\$ 1,450,064</u>	<u>\$ (137,182)</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 9 – Pension Plan (continued)

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

\$455,917 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 270,649
2020	405,563
2021	262,161
2022	(81,409)
	<u>\$ 856,964</u>

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ 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 April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online.

All other actuarial assumptions used in the June 30, 2017 valuation was based on the results of an actuarial experience study for fiscal years 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 9 – Pension Plan (continued)

Change of assumptions – In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

Discount rate – The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 9 – Pension Plan (continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return ² Years 11+
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	0.40%	-0.90%
Total	100%		

¹ An expected inflation of 2.5% used for this period

² 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 District's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 2,752,152	\$ 1,831,727	\$ 1,069,415
Safety	\$ 3,218,715	\$ 2,081,461	\$ 1,151,812

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

Payable to the Pension Plan

At June 30, 2018, the District has no reported outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2018.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 10 – Post-Employment Health Care Benefits

Plan Description

The City reported that the only OPEB provided is medical plan coverage.

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires (1) attainment of age 50 (age 52, if a new miscellaneous member to PERS on or after January 1, 2013) with 5 years of State or public agency service or (2) an approved disability retirement.

As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. This City most recently executed resolution with CalPERS defines the level of the City's contribution to be 100% of the retiree's monthly medical premium, but not more than \$347.77 per month.

Employees Covered

Membership in the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Summary of Plan Member Counts	
Number of active plan members	36
Number of inactive plan members currently receiving benefits	6
Number of inactive plan members entitled but not receiving benefits	0

Contributions

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.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 10 – Post-Employment Health Care Benefits (Continued)

Actuarial Assumptions

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2018.

Valuation Date	6/30/2018
Funding Method	Entry Age Normal Cost, percent of pay
Asset Valuation Method	Market Value (\$0, plan is not yet funded)
Actuarial Assumptions:	
Discount Rate	2.68% as of June 30, 2016 3.13% as of June 30, 2017
Inflation Rate	2.75%
Salary Increase	3.25%
Health Cost Trend Rates	Medical premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase
2019	7.5%
2020	7.0%
2021	6.5%
2022	6.0%
2023	5.5%
2024 & later	5.0%

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5 %

Mortality rate	Pre-retirement mortality rates were based on the CalPERS 2014 experience study. Mortality Improvement rates were based on the MacLeod Watts Scale 2017 applied generationally from 2018.
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Long Term Expected Rate of Return

Not applicable, the City has reported no plan assets as of June 30, 2018.

Discount Rate

The rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 10 – Post-Employment Health Care Benefits (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 06/30/17	\$ 3,389,661	\$ -	\$ 3,389,661
Changes for the year:			
Service cost	314,831	-	314,831
Interest	98,956	-	98,956
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(320,608)	-	(320,608)
Contributions - employer	-	24,191	(24,191)
Net investment income	-	-	-
Benefit payments	(24,191)	(24,191)	-
Net changes	<u>68,988</u>	<u>-</u>	<u>68,988</u>
Balance at 06/30/18	<u>\$ 3,458,649</u>	<u>\$ -</u>	<u>\$ 3,458,649</u>

The only assumption change reflected during this period is the change in the discount rates as required by GASB 75.

Sensitivity of the City's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the net OPEB 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:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB liability	\$ 4,226,979	\$ 3,458,649	\$ 2,865,956

Sensitivity of the City's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB liability	\$ 2,759,349	\$ 3,458,649	\$ 4,580,169

Healthcare cost trend rate was assumed to start at 8.0% (effective January 1, 2009) and grade down to 5% for years 2025 and thereafter.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 10 – Post-Employment Health Care Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$380,870. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 39,396	\$ -
Assumption changes	-	(287,691)
Deferred contributions	31,579	-
	<u>\$ 70,975</u>	<u>\$ (287,691)</u>

The City will recognize the Deferred Contributions in the next fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30:	
2019	\$ (32,917)
2020	(32,917)
2021	(32,917)
2022	(32,917)
2023	(32,917)
Thereafter	<u>\$ (123,106)</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 11 – Deferred Outflows/Inflows of Resources

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 reports the following deferred outflows related to net pension liability and net OPEB liability in the Statement of Net Position:

Deferred outflows related to net pension liability:

Pension contributions subsequent to measurement date	\$ 455,917	
Change in employer's proportion	140,453	
Differences between employer's contributions and proportionate share of contributions	71,696	
Differences between expected and actual experience	25,987	
Changes in assumptions	623,480	
Differences between projected and actual investment earnings	<u>138,208</u>	
Total Deferred outflows related to net pension liability		1,455,741

Deferred outflows related to net OPEB liability:

OPEB contributions subsequent to measurement date	39,396	
Deferred contributions	<u>31,579</u>	
Total Deferred outflows related to net pension liability		<u>70,975</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 1,526,716

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, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred inflows related to net pension liability and net OPEB liability in the Statement of Net Position:

Deferred inflows related to net pension liability:

Change in employer's proportion	\$ 51,054	
Differences between expected and actual experience	38,431	
Changes of assumptions	<u>47,697</u>	
Total Deferred inflows related to net pension liability		137,182

Deferred inflows related to net OPEB liability:

Assumption changes	<u>287,691</u>	
Total Deferred inflows related to net OPEB liability		<u>287,691</u>

TOTAL DEFERRED INFLOWS OF RESOURCES \$ 424,873

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 12 – 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.

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, 2017 is as follows:

Total assets	\$ 100,984,219
Total liabilities	<u>83,009,648</u>
Net position	<u>\$ 17,974,571</u>
Total revenues	\$ 44,757,809
Total expenses	<u>42,218,070</u>
Increase/(decrease) in net position	<u>\$ 2,539,739</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 13 – Prior Period Adjustments

The City recorded the following prior period adjustments:

1. The City implemented GASB Statement No. 75. As a result, net OPEB liability increased by \$280,369 in the Governmental Activities and \$1,032,152 in the Business-Type Activities of the Statement of Net Position, deferred outflows increased by an immaterial amount; net position decreased by \$241,581 and \$1,015,170 for Governmental Activities and Business-Type Activities, respectively, in the Statement of Activities, deferred outflows increased by an immaterial amount. In the Fund Financials, net OPEB liability increased by \$508,449 and 523,703 in the Sewer and Water Proprietary Funds, respectively, in the Statement of Net Position – Proprietary Funds; net position decreased by like amounts, respectively, in the Statement of Revenues, Expenses and Changes in Net Position.
2. The City corrected the Governmental Activities Capital Assets schedule, certain assets were not properly included or were improperly included in the schedule and depreciation expense was not properly computed. As a result, net position of the governmental activities in the Statement of Activities increased by \$214,858.
3. The City corrected the balance of compensated absences for Governmental Activities, the balance was improperly duplicated in a prior year. As a result, net position of the Governmental Activities in the Statement of Activities increased by \$154,797.
4. The City corrected the utilities accounts receivable accrual to properly match its billing period. As a result, net position increased by \$35,281 and \$267,096 for Governmental Activities and Business-type Activities, respectively, in the Statement of Activities. At the fund level, fund balance increased by \$35,281 in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance; net position increased by \$118,401 and \$148,695 in the Sewer and Water Proprietary Funds in the Statement of Revenues, Expenditures and Changes in Net Position.
5. The City corrected the beginning balance of the 2016A bond refunding, outflows related to bond issuance costs were improperly deferred. As result, net position decreased by \$346,137 in the Business-type Activities of the Statement of Activities; net position decreased by \$161,068 and \$185,069 in the Sewer and Water Proprietary Funds, respectively in the Statement of Revenues, Expenses and changes in Net Position.
6. The City corrected the Business-type Capital Assets schedule, certain assets were not properly depreciated. As result net position increased by \$399,517 in the Business-type Activities of the Statement of Activities and in the Water Proprietary Fund in the Statement of Revenues, Expenses and Changes in Net Position.
7. The City corrected accounts receivable previously collected. As a result, net position decreased \$13,856 in the Governmental Activities of the Statement of Activities; fund balance decreased \$13,856 in the Gas tax fund in the Statement of Revenues, Expenditures and Changes in Fund Balance.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 13 – Prior Period Adjustments (Continued)

8. The City corrected the balance of interest receivable, on a long term note receivable, previously not recorded. As a result, net position/fund balance increased by \$25,553 in both the Statement of Activities, Governmental Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund.
9. The City reclassified certain sub-funds within the Governmental Funds. As a result, fund balance decreased by \$29,894 in the Low-Moderate Housing Assets fund and increased by the same amount in the Housing fund, fund balance in the Development Impact Fees fund increased by \$1,001 and the Community Development fund decreased by the same amount.

The following table illustrates the prior period adjustments, described above, as of July 1, 2017:

	Government-wide		Fund Level							
	Statement of Activities		Statement of Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Position							
	Governmental Activities	Business-type Activities	Governmental Funds						Proprietary Funds	
			General Fund	Community Development	Housing	Gas Tax	Development Impact Fees	Low-Moderate Housing Assets	Sewer	Water
Net position/Fund balance at June 30, 2017, as previously reported:	\$ 3,348,530	\$ 12,224,914	\$ 1,940,441	\$ (5,955)	\$ -	\$ 108,133	\$ 306,906	\$ 29,894	\$ 4,821,575	\$ 7,383,970
PPA No. 1	(241,581)	(1,015,170)	-	-	-	-	-	-	(500,084)	(515,086)
PPA No. 2	214,858	-	-	-	-	-	-	-	-	-
PPA No. 3	154,797	-	-	-	-	-	-	-	-	-
PPA No. 4	35,281	267,096	35,281	-	-	-	-	-	118,401	148,695
PPA No. 5	-	(346,137)	-	-	-	-	-	-	(161,068)	(185,069)
PPA No. 6	-	399,517	-	-	-	-	-	-	-	399,517
PPA No. 7	(13,856)	-	-	-	-	(13,856)	-	-	-	-
PPA No. 8	25,553	-	-	-	25,554	-	-	-	-	-
PPA No. 9	-	-	-	(1,001)	29,894	-	1,001	(29,894)	-	-
Net position/Fund balance at June 30, 2017, re-stated:	\$ 3,523,582	\$ 11,530,220	\$ 1,975,722	\$ (6,956)	\$ 55,448	\$ 94,277	\$ 307,907	\$ -	\$ 4,278,824	\$ 7,232,027

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

Note 14 – Stewardship, Compliance and Accountability

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

General Fund:

Current:

General government	\$ (16,261)
Public ways and facilities	\$ (36,424)
Public protection	\$ (16,456)
Culture and recreation	\$ (5,548)
Community development	\$ (28,746)

Community Development:

Current:

Community development	\$ (95,403)
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The excess expenditures were covered by available fund balance in the funds.

Note 15 – 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 Uniform Guidance 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 16 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through February 1, 2019 the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FIREBAUGH

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Taxes	\$ 2,606,819	\$ 2,606,819	\$ 2,968,720	\$ 361,901
Licenses and permits	113,650	113,650	164,127	50,477
Intergovernmental	33,658	33,658	1,234,348	1,200,690
Charges for services	594,500	594,500	600,845	6,345
Fines and forfeitures	36,100	36,100	22,823	(13,277)
Investment income	25,608	25,608	48,655	23,047
Other	156,348	156,348	190,694	34,346
Total revenue	<u>3,566,683</u>	<u>3,566,683</u>	<u>5,230,212</u>	<u>1,663,529</u>
Expenditures				
Current				
General government	224,876	224,876	232,035	(7,159)
Public ways and facilities	436,710	436,710	473,134	(36,424)
Public protection	1,883,160	1,883,160	1,899,616	(16,456)
Culture and recreation	266,761	266,761	284,488	(17,727)
Community development	121,695	121,695	147,364	(25,669)
Capital outlay	<u>70,100</u>	<u>70,100</u>	<u>30,000</u>	<u>40,100</u>
Total expenditures	<u>3,003,302</u>	<u>3,003,302</u>	<u>3,066,637</u>	<u>(63,335)</u>
Revenue over (under) expenditures	563,381	563,381	2,163,575	1,600,194
Other Financing Sources/(Uses)				
Sales of assets	-	-	18,974	18,974
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>18,974</u>	<u>18,974</u>
Net Change in Fund Balance	<u>\$ 563,381</u>	<u>\$ 563,381</u>	2,182,549	<u>\$ 1,600,194</u>
Fund Balance				
Beginning of year, restated			<u>1,940,441</u>	
End of year			<u>\$ 4,158,271</u>	

CITY OF FIREBAUGH

BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT FUND YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 3,498,279	\$ 3,498,279	\$ 1,592,173	\$ (1,906,106)
Total revenue	<u>3,498,279</u>	<u>3,498,279</u>	<u>1,592,173</u>	<u>(1,906,106)</u>
Expenditures				
Current				
Community development	1,960,128	1,960,128	283,553	1,676,575
Capital outlay	<u>1,538,151</u>	<u>1,538,151</u>	<u>1,356,642</u>	<u>181,509</u>
Total expenditures	<u>3,498,279</u>	<u>3,498,279</u>	<u>1,640,195</u>	<u>1,858,084</u>
Revenue over (under) expenditures	<u>-</u>	<u>-</u>	(48,022)	<u>(48,022)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(48,022)	<u>\$ (48,022)</u>
Fund Balance				
Beginning of year, restated			<u>(6,956)</u>	
End of year			<u>\$ (54,978)</u>	

CITY OF FIREBAUGH

BUDGETARY COMPARISON SCHEDULE

HOUSING FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Loan repayments	\$ -	\$ -	\$ 60,407	\$ 60,407
Investment income	-	-	19,890	19,890
Total revenue	-	-	80,297	80,297
Expenditures				
Current				
Planning and community development	-	-	-	-
Total expenditures	-	-	-	-
Revenue over (under) expenditures	-	-	80,297	80,297
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	80,297	<u>\$ 80,297</u>
Fund Balance				
Beginning of year, restated			-	
End of year			<u>\$ 135,745</u>	

CITY OF FIREBAUGH

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

LAST 10 YEARS*

AS OF JUNE 30, 2018

	Miscellaneous			
	2015	2016	2017	2018
Proportion of the net pension liability	0.04155%	0.04681%	0.04584%	0.04647%
Proportionate share of the net pension liability	\$ 1,026,968	\$ 1,284,149	\$ 1,592,387	\$ 1,831,727
Covered - employee payroll	\$ 1,142,658	\$ 1,185,040	\$ 1,135,047	\$ 1,085,707
Proportionate share of the net pension liability as a percentage of covered-employee payroll	89.88%	108.36%	140.29%	168.71%
Plan's fiduciary net position	\$ 4,258,380	\$ 4,422,483	\$ 4,509,211	\$ 4,859,986
Plan's fiduciary net position as a percentage of the Total Pension Liability	80.57%	77.50%	73.90%	72.63%

	Safety			
	2015	2016	2017	2018
Proportion of the net pension liability	0.04123%	0.03571%	0.03579%	0.03484%
Proportionate share of the net pension liability	\$ 1,546,431	\$ 1,471,316	\$ 1,853,650	\$ 2,081,461
Covered - employee payroll	\$ 799,827	\$ 692,501	\$ 692,040	\$ 683,756
Proportionate share of the net pension liability as a percentage of covered-employee payroll	193.35%	212.46%	267.85%	304.42%
Plan's fiduciary net position	\$ 5,122,434	\$ 5,447,021	\$ 5,543,143	\$ 6,046,601
Plan's fiduciary net position as a percentage of the Total Pension Liability	76.81%	78.73%	74.94%	74.39%

*Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

Changes of Assumptions: In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change

CITY OF FIREBAUGH

SCHEDULE OF CONTRIBUTIONS

LAST 10 YEARS*

AS OF JUNE 30, 2018

	Miscellaneous			
	2015	2016	2017	2018
Contractually required contribution (actuarially determined)	\$ 115,154	\$ 200,112	\$ 178,195	\$ 194,343
Contributions in relation to the actuarially determined contributions	(115,154)	(200,112)	(178,195)	(194,343)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,142,658	\$ 1,185,040	\$ 1,135,047	\$ 1,085,707
Contributions as a percentage of covered-employee payroll	10.85%	10.85%	15.70%	17.90%
	Safety			
	2015	2016	2017	2018
Contractually required contribution (actuarially determined)	\$ 145,022	\$ 234,881	\$ 224,508	\$ 240,914
Contributions in relation to the actuarially determined contributions	(145,022)	(234,881)	(224,508)	(240,914)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 799,827	\$ 692,501	\$ 692,040	\$ 683,756
Contributions as a percentage of covered-employee payroll	18.13%	33.92%	32.44%	35.23%

*Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

SUPPLEMENTAL ONLY INFORMATION

CITY OF FIREBAUGH

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS JUNE 30, 2018

	Gas Tax	Local Transportation	Development Impact Fees	Measure C Funds	Landscape Maintenance	Public Safety	SB1	Total
ASSETS								
Cash and investments	\$ -	\$ 487,209	\$ 277,423	\$ 748,708	\$ 96,039	\$ 89,726	\$ 28,798	\$ 1,727,903
Accounts receivable	51,285	14,758	-	14,326	-	60,333	7,132	147,834
Total assets	51,285	501,967	277,423	763,034	96,039	150,059	35,930	1,875,737
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable and accrued expense	7,945	5,928	76	2,541	3,058	5,996	-	25,544
Accrued expenses	2,041	6,046	-	9,602	834	6,985	-	25,508
Due to other funds	398	-	-	-	-	-	-	398
Total liabilities	10,384	11,974	76	12,143	3,892	12,981	-	51,450
Fund Balance								
Restricted								
Public ways and facilities	40,901	489,993	-	750,891	92,147	-	35,930	1,409,862
Public safety programs	-	-	-	-	-	137,078	-	137,078
Capital projects and improvements	-	-	277,347	-	-	-	-	277,347
Total fund balance	40,901	489,993	277,347	750,891	92,147	137,078	35,930	1,824,287
Total liabilities and fund balance	\$ 51,285	\$ 501,967	\$ 277,423	\$ 763,034	\$ 96,039	\$ 150,059	\$ 35,930	1,875,737

CITY OF FIREBAUGH

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2018

	Gas Tax	Local Transportation	Development Impact Fees	Measure C Funds	Landscape Maintenance	Public Safety	SB1	Total
Revenue								
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,163	\$ 37,808	\$ 225,971
Licenses and permits	-	-	751	-	-	-	-	751
Intergovernmental	164,031	240,651	-	273,219	47,113	15,636	-	740,650
Investment income	845	1,385	-	1,474	281	668	-	4,653
Other revenue	9,325	-	-	-	-	-	-	9,325
Total revenue	174,201	242,036	751	274,693	47,394	204,467	37,808	981,350
Expenditures								
Current								
General government	-	-	7,399	-	26,347	-	-	33,746
Public ways and facilities	227,577	128,697	18,932	131,610	-	-	1,878	508,694
Public safety	-	-	-	-	-	118,725	-	118,725
Culture and recreation	-	-	4,980	-	-	-	-	4,980
Capital outlay	-	-	-	-	-	30,282	-	30,282
Total expenditures	227,577	128,697	31,311	131,610	26,347	149,007	1,878	696,427
Revenue over (under) expenditures	(53,376)	113,339	(30,560)	143,083	21,047	55,460	35,930	284,923
Change in Fund Balance	(53,376)	113,339	(30,560)	143,083	21,047	55,460	35,930	284,923
Fund Balance								
Beginning of year, re-stated	94,277	376,654	307,907	607,808	71,100	81,618	-	1,539,364
End of year	\$ 40,901	\$ 489,993	\$ 277,347	\$ 750,891	\$ 92,147	\$ 137,078	\$ 35,930	\$ 1,824,287

CITY OF FIREBAUGH

SCHEDULE OF NET REVENUE AVAILABLE FOR DEBT SERVICE JUNE 30, 2018

	<u>Sewer</u>	<u>Water</u>
Operating Revenue		
Charges for services	\$ 1,442,664	\$ 1,616,100
Delinquent fees	-	35,580
Waste Discharge fees	3,648	-
Toma Tek Service and Reimbursement Revenue	92,954	-
Other revenue	2,664	18,242
Total Available Revenues	<u>1,541,930</u>	<u>1,669,922</u>
Operating Expense		
Personnel	383,236	383,535
Utilities	138,502	352,430
Supplies and materials	64,747	81,123
Maintenance and operations	361,992	233,295
Contractual services	256,179	132,830
Other expenses	82,072	87,019
Total operations and maintenance	<u>1,286,728</u>	<u>1,270,232</u>
Nonoperating Revenue/(Expense)		
Investment income	8,446	10,552
Total nonoperating revenue/(expense)	<u>8,446</u>	<u>10,552</u>
Total Net Revenue Available for Debt Service	263,648	410,242
Debt Service Requirements		
2013 Water Revenue Refunding Bond	-	119,772
2016 Water Refunding Bond - Series 2016A	-	203,788
2016 Wastewater Refunding Bond - Series 2016A	177,163	-
Total Debt Service	<u>177,163</u>	<u>323,560</u>
Net Revenue after Debt Service	<u>\$ 86,485</u>	<u>\$ 86,682</u>
Debt Service Coverage Ratio	1.49	1.27

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Firebaugh, California, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 1, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

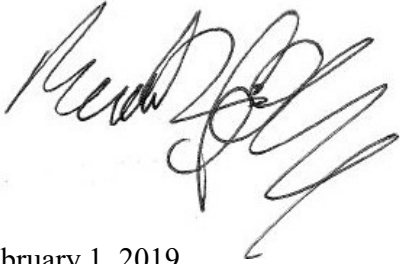
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2018-001.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink, appearing to be "Rend J. [unclear]", written in a cursive style.

February 1, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Firebaugh's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to be "Michael J. [unclear]", written in a cursive style.

February 1, 2019

CITY OF FIREBAUGH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD) Passed through California Department of Housing and Community Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15-CDBG-10568	\$ 1,452,726
U.S. Department of Health and Human Services Passed through Fresno-Madera Area Agency on Aging Title III C1 Congregate Nutrition	93.045	18-0241	11,706
U.S. Department of Transportation Highway Planning and Construction Passed through State of California Department of Transportation Congestion Mitigation & Air Quality Improvement (CMAQ)	20.205	CML-5224(015)	50,178
Congestion Mitigation & Air Quality Improvement (CMAQ)	20.205	CML-5224(019)	<u>90,338</u>
<i>Total Federal Expenditures</i>			<u>\$ 1,604,948</u>

CITY OF FIREBAUGH

NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

Note 1 – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Firebaugh, California (the City). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the SEFA. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City's basic financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and the enterprise funds.

Note 5 – Indirect Cost Rate

The City did not elect to use the 10% de minimus cost rate as covered in 2 CFR §200.414.

CITY OF FIREBAUGH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Non-compliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of Major Programs

CFDA Number

14.228

Name of Federal Program or Cluster

Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

CITY OF FIREBAUGH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

B. Findings – Financial Statements Audit

2018-001 Internal Controls over Financial Reporting (Material Weakness)

Criteria:

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information and compliance with laws and regulations.

Condition:

We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2018, were not effective, which contributed to the city's unpreparedness for the audit. We encountered several errors due to missing journal entries from audits of prior fiscal years, in addition several accounts were not properly reconciled due to lack of an appropriate closing process.

Cause:

Lack of internal control procedures over financial reporting.

Effect:

The City's financial statements were materially misstated.

Recommendation:

We recommend that the City implement internal control procedures to properly close its books. These procedures may include: reconciling and balancing accounts to the general ledger, conducting a detailed review of the financial statements prior to the start of the audit fieldwork, and detailed review of all reconciliations and detailed listings to ensure accuracy.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

CITY OF FIREBAUGH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2018

Summary Schedule of Prior Audit Findings

There were no prior year audit findings.

CITY OF FIREBAUGH



FRESNO COUNTY, CALIFORNIA

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(559) 659-2043
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CITY OF FIREBAUGH
CORRECTIVE ACTION
PLAN 6/30/2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Establish a process for internal control procedures to properly close books	June 2019	Pio Martin

Pio Martin
Finance Director