

# **CITY OF ORLAND**

## ***California***

---

### **Annual Financial Report June 30, 2014**

#### **Elected Officials**

##### ***City Council***

**James Paschall, Sr.  
Salina J. Edwards  
Bruce T. Roundy  
Dennis G. Hoffman  
Charles W. Gee**

**Mayor  
Vice Mayor  
Member  
Member  
Member**

***City Clerk*  
Angela Crook**

***City Treasurer*  
Pam Otterson**

#### **Appointed Officials**

***City Manager*  
Peter R. Carr**

***Finance Director*  
Daryl Brock, CPA**

**CITY OF ORLAND**  
**Table of Contents**

***INDEPENDENT AUDITOR'S REPORT*** ..... 2-3

***BASIC FINANCIAL STATEMENTS***

Government-wide Financial Statements

    Statement of Net Position ..... 4

    Statement of Activities ..... 5

Fund Financial Statements

    Governmental Funds:

        Balance Sheet ..... 6

        Reconciliation of the Governmental Funds Balance Sheet  
        to the Statement of Net Position ..... 7

        Statement of Revenue, Expenditures, and Change in Fund Balances ..... 8

        Reconciliation of the Statement of Revenue, Expenditures, and Change  
        in Fund Balances of Governmental Funds to the Statement of Activities ..... 9

    Proprietary Funds:

        Statement of Net Position ..... 10

        Statement of Revenue, Expenses, and Change in Net Position ..... 11

        Statement of Cash Flows ..... 12

***NOTES TO FINANCIAL STATEMENTS*** ..... 13-32

***REQUIRED SUPPLEMENTARY INFORMATION***

    Note to Budgetary Comparison Schedule ..... 33

    Budgetary Comparison Information - General Fund ..... 34

    Fund Balance Designations Section of the Balance Sheet ..... 35

    Defined Benefit Pension Plan Funded Status ..... 36

    Retiree Healthcare Plan Funded Status ..... 37

***OTHER SUPPLEMENTARY INFORMATION***

    Combining Balance Sheet - Nonmajor Governmental Funds ..... 38

    Combining Statement of Revenue, Expenditures, and Change in  
    Fund Balances - Nonmajor Governmental Funds ..... 39

***APPENDIX A - Single Audit***

# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

---

2701 Cottage Way, Suite 30 / Sacramento, California 95821

### **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
Members of the City Council  
City of Orland, 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 Orland, California, as of and for the year ended June 30, 2014, 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 purposes 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 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 Orland, as of June 30, 2014, 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*

Honorable Mayor  
Members of the City Council  
City of Orland, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orland' basic financial statements. The combining nonmajor governmental funds financial statements, and the combining internal service funds financial statements, as listed in the table of contents 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 (Appendix A-Single Audit) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, is 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 reports dated November 12, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are 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 on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
December 5, 2014

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ORLAND**  
**Government-wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 3,135,178	\$ 90,318	\$ 3,225,496
Receivables	610,219	76,484	686,703
Internal balances	(201,720)	201,720	-
Prepaid expenses	40,756	92,843	133,599
Notes receivable	5,918,885	-	5,918,885
Capital assets not being depreciated	181,286	8,580	189,866
Capital assets, net of depreciation	5,587,071	2,286,589	7,873,660
Total Assets	15,271,675	2,756,534	18,028,209
<b>Liabilities</b>			
Payables	261,781	25,223	287,004
Deposits	26,914	14,729	41,643
Noncurrent liabilities:			
Due within one year	228,600	-	228,600
Due in more than one year	1,627,600	-	1,627,600
Compensated absences	198,819	54,692	253,511
Obligation for postemployment benefits	353,109	-	353,109
Total Liabilities	2,696,823	94,644	2,791,467
<b>Net Position</b>			
Invested in capital assets, net of related debt	5,768,357	2,295,169	8,063,526
Restricted	2,518,440	-	2,518,440
Unrestricted	4,288,055	366,721	4,654,776
Total Net Position	\$ 12,574,852	\$ 2,661,890	\$ 15,236,742

*The accompanying notes are an integral part of these financial statements*

**CITY OF ORLAND**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions/Programs	Operating Expenses			Program Revenue			Net (Expense) Revenue and Change in Net Position		
	Operating Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
<b>Governmental Activities</b>									
General government	\$ 348,425	\$ 93,583	\$ -	\$ -	\$ (254,842)	\$ -	\$ (254,842)		
Community development	468,604	349,043	1,722,013	-	1,602,452	-	1,602,452		
Public safety	1,856,405	-	125,105	-	(1,731,300)	-	(1,731,300)		
Public works and streets	505,725	-	320,870	-	(184,855)	-	(184,855)		
Library and arts	273,001	31,685	149,129	-	(92,187)	-	(92,187)		
Parks and recreation	359,450	121,532	-	115,000	(122,918)	-	(122,918)		
Interest expense	84,298	-	-	-	(84,298)	-	(84,298)		
Depreciation expense	282,491	-	-	-	(282,491)	-	(282,491)		
Total governmental activities	<u>4,178,399</u>	<u>595,843</u>	<u>2,317,117</u>	<u>115,000</u>	<u>(1,150,439)</u>		<u>(1,150,439)</u>		
<b>Business-type Activities</b>									
Water	926,508	984,456	-	-	\$ 57,948	\$ 57,948	57,948		
Sewer	609,721	695,723	-	-	86,002	86,002	86,002		
Industrial sewer	67,810	57,419	-	-	(10,391)	(10,391)	(10,391)		
Building inspection	57,253	76,523	-	-	19,270	19,270	19,270		
Total business-type activities	<u>1,661,292</u>	<u>1,814,121</u>	<u>-</u>	<u>-</u>	<u>152,829</u>	<u>152,829</u>	<u>152,829</u>		
Total primary government	<u>\$ 5,839,691</u>	<u>\$ 2,409,964</u>	<u>\$ 2,317,117</u>	<u>\$ 115,000</u>	<u>(1,150,439)</u>		<u>(997,610)</u>		
<b>General Revenue</b>									
Sales tax					1,096,468	-	1,096,468		
Property taxes					788,100	-	788,100		
Motor vehicle in-lieu					535,210	-	535,210		
Franchise and TOT					165,606	-	165,606		
Licenses, fees & fines					70,810	-	70,810		
Use of money and property					54,803	2,667	57,470		
Other revenue					330,023	-	330,023		
Total general revenue					<u>3,041,020</u>	<u>2,667</u>	<u>3,043,687</u>		
<b>Change in Net Position</b>					<u>1,890,581</u>	<u>155,496</u>	<u>2,046,077</u>		
Net Position - beginning					<u>10,684,271</u>	<u>2,506,394</u>	<u>13,190,665</u>		
Net Position - end of year					<u>\$ 12,574,852</u>	<u>\$ 2,661,890</u>	<u>\$ 15,236,742</u>		

The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

**CITY OF ORLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

<b>Assets</b>	<b>General</b>	<b>Development</b>	<b>Post 1992</b>	<b>CDBG</b>	<b>Other</b>	<b>Totals</b>
	<b>Fund</b>	<b>Impact Fees</b>	<b>Reuse Grants</b>	<b>12-8404 Housing Grant</b>	<b>Governmental Funds</b>	
Cash and investments	\$ 454,856	\$ 1,512,569	\$ 255,626	\$ -	\$ 912,127	\$ 3,135,178
Receivables	259,372	-	-	100,451	250,396	610,219
Internal loans	536,383	-	-	-	-	536,383
Prepaid expenses	40,756	-	-	-	-	40,756
Notes receivable	-	-	1,100,890	-	4,817,995	5,918,885
<b>Total assets</b>	<b>\$ 1,291,367</b>	<b>\$ 1,512,569</b>	<b>\$ 1,356,516</b>	<b>\$ 100,451</b>	<b>\$ 5,980,518</b>	<b>\$ 10,241,421</b>
<b>Liabilities</b>						
Payables	\$ 48,014	\$ 213,767	\$ -	\$ -	\$ -	\$ 261,781
Deposits	26,914	-	-	-	-	26,914
Deferred revenue	-	-	1,100,890	-	4,817,995	5,918,885
Internal loans	473,047	-	24,650	100,451	139,955	738,103
<b>Total liabilities</b>	<b>547,975</b>	<b>213,767</b>	<b>1,125,540</b>	<b>100,451</b>	<b>4,957,950</b>	<b>6,945,683</b>
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	1,298,802	230,976	-	988,662	2,518,440
Committed	157,492	-	-	-	-	157,492
Assigned	87,000	-	-	-	33,906	120,906
Unassigned	498,900	-	-	-	-	498,900
<b>Total fund balances</b>	<b>743,392</b>	<b>1,298,802</b>	<b>230,976</b>	<b>-</b>	<b>1,022,568</b>	<b>3,295,738</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,291,367</b>	<b>\$ 1,512,569</b>	<b>\$ 1,356,516</b>	<b>\$ 100,451</b>	<b>\$ 5,980,518</b>	<b>\$ 10,241,421</b>

The accompanying notes are an integral part of these financial statements

**CITY OF ORLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2014**

**Total Fund Balances - Governmental Funds (page 6)** \$ 3,295,738

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

**Capital Assets**

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives. This amount represents the total amount of capital assets net of accumulated depreciation.

5,768,357

**Deferred Revenue**

Notes receivable from grant programs related to housing are recorded in the governmental funds balance sheet and offset with a deferred revenue liability account, however, on the statement of net position, grant revenue is recognized when earned, received, or when all eligibility requirements have been met. This is the amount of cumulative grant revenue used for housing program loans.

5,918,885

**Long-term Obligations**

Long-term liabilities and obligations are not due and payable in the current operating period and therefore are not reported in the governmental funds financial statements but are reported in the government-wide financial statements, and consist of the following:

Pension obligation bonds	(1,856,200)
Other postemployment medical benefits	(353,109)
Compensated absences	(198,819)

**Total Net Position - Governmental Activities (page 4)**

\$ 12,574,852

*The accompanying notes are an integral part of these financial statements*

**CITY OF ORLAND**  
**Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2014**

Revenue	General Fund	Development Impact Fees	Post 1992 Reuse Grants	CDBG 12-8404 Housing Grant	Other Governmental Funds	Totals
Taxes and assessments	\$ 2,050,174	\$ -	\$ -	\$ -	\$ -	\$ 2,050,174
Licenses, fees and fines	70,810	-	-	-	-	70,810
Intergovernmental	695,576	-	-	707,132	560,975	1,963,683
Charge for services	160,340	349,043	-	-	86,460	595,843
Use of money and property	54,588	-	215	-	-	54,803
Other revenue	254,337	19,308	494,684	-	45,141	813,470
Total revenue	3,285,825	368,351	494,899	707,132	692,576	5,548,783
<b>Expenditures</b>						
Current:						
General government	427,704	-	-	-	11,614	439,318
Community development	186,853	744,798	481,326	-	12,273	1,425,250
Public safety	1,800,733	-	-	-	144,783	1,945,516
Public works and streets	176,041	-	-	-	368,634	544,675
Library and Arts	299,317	-	-	-	25,618	324,935
Parks and recreation	359,450	-	-	-	-	359,450
Capital outlay	-	-	-	704,956	115,000	819,956
Total expenditures	3,250,098	744,798	481,326	704,956	677,922	5,859,100
Revenue over (under) Expenditures	35,727	(376,447)	13,573	2,176	14,654	(310,317)
<b>Other Financing Sources (Uses)</b>						
Transfers in	10,396	50,692	-	-	-	61,088
Transfers in (out)	-	-	-	-	(61,088)	(61,088)
Total Other Sources (Uses)	10,396	50,692	-	-	(61,088)	-
<b>Change in Fund Balances</b>	46,123	(325,755)	13,573	2,176	(46,434)	(310,317)
Fund Balances - beginning	697,269	1,624,557	217,403	(2,176)	1,069,002	3,606,055
Fund Balances - end of year	\$ 743,392	\$ 1,298,802	\$ 230,976	\$ -	\$ 1,022,568	\$ 3,295,738

The accompanying notes are an integral part of these financial statements

**CITY OF ORLAND**  
**Reconciliation of the Statement of Revenue, Expenditures, and Change in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2014**

**Change in Fund Balances - Governmental Funds (page 8)** \$ (310,317)

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

**Capital Assets**

Government funds report capital outlays as expenditures, however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense:  
 Depreciation expense for the year (282,491)  
 Capital expenditures reclassified to capital assets subject to future depreciation 1,787,820

**Deferred Revenue**

In the statement of activities, grant revenue is recognized when earned rather than deferred until the related note has been collected. This is the amount of increase from the issuance of housing program loans. 520,197

**Long-term Obligations**

Payment of long-term obligations are recorded as expenditures in the governmental funds financial statements, however, in the statement of activities, the principal portion of the payments reduce the long-term debt obligations:  
 Pension obligation bonds 209,200  
 Compensated Absences (33,828)

**Change in Net Position - Governmental Activities (page 5)**

\$ 1,890,581

*The accompanying notes are an integral part of these financial statements*

**CITY OF ORLAND**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2014**

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 26,988	\$ -	\$ 63,210	\$ 120	\$ 90,318
Receivables	39,172	23,722	13,590	-	76,484
Internal loans	473,047	-	-	-	473,047
Prepaid expenses	61,187	31,656	-	-	92,843
Total current assets	600,394	55,378	76,800	120	732,692
Noncurrent assets:					
Capital assets not being depreciated	-	8,580	-	-	8,580
Capital assets, net of depreciation	1,101,596	1,007,879	169,601	7,513	2,286,589
Total noncurrent assets	1,101,596	1,016,459	169,601	7,513	2,295,169
Total assets	1,701,990	1,071,837	246,401	7,633	3,027,861
<b>Liabilities</b>					
Current liabilities:					
Payables	25,223	-	-	-	25,223
Customer deposits	13,955	-	774	-	14,729
Internal loans	-	25,338	-	245,989	271,327
Total current liabilities	39,178	25,338	774	245,989	311,279
Noncurrent liabilities:					
Compensated absences	31,863	19,643	3,186	-	54,692
Total noncurrent liabilities	31,863	19,643	3,186	-	54,692
Total liabilities	71,041	44,981	3,960	245,989	365,971
<b>Net Position</b>					
Investment in capital assets, net of related debt	1,101,596	1,016,459	169,601	7,513	2,295,169
Unrestricted	529,353	10,397	72,840	(245,869)	366,721
Total net position	\$ 1,630,949	\$ 1,026,856	\$ 242,441	\$ (238,356)	\$ 2,661,890

The accompanying notes are an integral part of these financial statements

**CITY OF ORLAND**  
**Proprietary Funds**  
**Statement of Revenue, Expenses, and Change in Net Position**  
**Year Ended June 30, 2014**

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
<b>Operating Revenue</b>					
Charge for services	\$ 984,456	\$ 695,723	\$ 57,419	\$ 76,523	\$ 1,814,121
Total operating revenue	<u>984,456</u>	<u>695,723</u>	<u>57,419</u>	<u>76,523</u>	<u>1,814,121</u>
<b>Operating Expenses</b>					
Personnel costs	386,102	319,419	32,693	26,300	764,514
Maintenance and operations	368,879	166,699	10,055	30,953	576,586
Administrative allocation	121,797	86,357	10,347	-	218,501
Depreciation	49,730	37,246	14,715	-	101,691
Total operating expenditures	<u>926,508</u>	<u>609,721</u>	<u>67,810</u>	<u>57,253</u>	<u>1,661,292</u>
<b>Operating Income (Loss)</b>	<u>57,948</u>	<u>86,002</u>	<u>(10,391)</u>	<u>19,270</u>	<u>152,829</u>
<b>Nonoperating Revenue (Expenses)</b>					
Investment earnings (expense)	2,667	-	-	-	2,667
Total nonoperating revenue (expenses)	<u>2,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,667</u>
<b>Change in Net Position</b>					
Net Position - beginning	60,615	86,002	(10,391)	19,270	155,496
Net Position - end of year	<u>1,570,334</u>	<u>940,854</u>	<u>252,832</u>	<u>(257,626)</u>	<u>2,506,394</u>
	<u>\$ 1,630,949</u>	<u>\$ 1,026,856</u>	<u>\$ 242,441</u>	<u>\$ (238,356)</u>	<u>\$ 2,661,890</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ORLAND**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

**CASH FLOWS PROVIDED BY (USED FOR)**

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
<b>Operating Activities</b>					
Receipts from customers	\$ 1,004,442	\$ 696,263	\$ 57,419	\$ 76,523	\$ 1,834,647
Payments to suppliers	(500,919)	(271,953)	(21,498)	(26,300)	(820,670)
Payments to employees	(386,102)	(319,419)	(32,693)	(32,059)	(770,273)
Net cash provided (used)	117,421	104,891	3,228	18,164	243,704
<b>Noncapital Financing Activities</b>					
Internal loan proceeds (repayments)	3,268	5,357	-	(18,044)	(9,419)
Net cash provided (used)	3,268	5,357	-	(18,044)	(9,419)
<b>Capital and Related Financing Activities</b>					
Repayment of loan obligations	(9,831)	(4,915)	-	-	(14,746)
Purchase of capital assets	(106,300)	(95,340)	-	-	(201,640)
Net cash provided (used)	(116,131)	(100,255)	-	-	(216,386)
<b>Investing Activities</b>					
Investment earnings	2,667	-	-	-	2,667
Net cash provided (used)	2,667	-	-	-	2,667
Net Increase (Decrease) in Cash	7,225	9,993	3,228	120	20,566
Cash and Investments - beginning	19,763	(9,993)	59,982	-	69,752
Cash and Investments - end of year	\$ 26,988	\$ -	\$ 63,210	\$ 120	\$ 90,318
<b>Operating Activities Analysis</b>					
Operating Income (Loss) - page 11	\$ 57,948	\$ 86,002	\$ (10,391)	\$ 19,270	\$ 152,829
Reconciliation adjustments:					
Depreciation, a noncash expense	49,730	37,246	14,715	-	101,691
(Increase) decrease in receivables	12,075	540	-	-	12,615
Increase (decrease) in payables/deposits	(2,332)	(18,897)	(1,096)	(1,106)	(23,431)
Net cash provided (used)	\$ 117,421	\$ 104,891	\$ 3,228	\$ 18,164	\$ 243,704

The accompanying notes are an integral part of these financial statements

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

- Note 1 - Summary of Significant Accounting Policies
- Note 2 - Stewardship, Compliance, and Accountability
- Note 3 - Cash and Investments
- Note 4 - Risk Management
- Note 5 - Commitments and Contingencies
- Note 6 - Receivables
- Note 7 - Capital Assets
- Note 8 - Payables
- Note 9 - Long-term Obligations
- Note 10 - Interfund Transactions
- Note 11 - Defined Benefit Pension Plan
- Note 12 - Retiree Healthcare Plan
- Note 13 - Subsequent Events
- Note 14 - New Pronouncements

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Orland conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) as applicable to governments. The following is a summary of the more significant policies.

Description of the Reporting Entity

The City of Orland (the City) was incorporated under the laws of the State of California. The City operates under a Council-Manager form of government. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, water and sewer services.

The financial statements of the City include those of separately administered organizations that are controlled by, or dependent on, the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

*Orland Volunteer Fire Department*

The Orland Volunteer Fire Department is included in these financial statements because the governing body exercises oversight responsibility, and the Orland Volunteer Fire Department is not fiscally independent of the City of Orland.

Although the component unit is legally separate from the City, it is reported on a blended basis as part of the primary government because its board consists of members of the City Council. The component unit does not issue separate financial statements but its operations are included as part of the City's general fund, which is reported in the City's annual financial report, which may be obtained from the City's finance director.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position, and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Fund Financial Statements

The accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the City, or the government has determined that a fund is important to the financial statement user, or it meets the following criteria:

- Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are the funds through which most general government functions typically are financed. Funds included in this category are as follows:

- General Fund - the general fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of general long-term debt obligation payments for principal, interest and related costs.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital facilities.
- Proprietary Fund Types - proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following are examples of proprietary fund types:
  - (1) Enterprise Funds - these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
  - (2) Internal Service Funds - these funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, and to other government units on a cost reimbursement basis.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

- Fiduciary Fund Types - fiduciary funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. The following are examples of fiduciary fund types:
- (1) Expendable Trust Funds - these funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.
- (2) Agency Funds - these funds account for assets held by the City as trustee or agent for individuals, private organizations, assessment districts, or other governmental units and/or other funds.

The Major Funds are as follows:

- General Fund - this fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Development Impact Fees - this fund is used to account for fees collected from builders and real estate developers for the impact of creating additional burdens and charges to various city departments for additional police, fire, parks, recreation, public works, streets, and administrative services as an end result of their projects.
- Housing Grant Funds - these funds are used to account for housing and capital improvement programs that are grant funded.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenue and expenditures or expenses *are recognized* in the accounts and reported in the financial statements. Basis of accounting relates to the *timing of measurement* made, regardless of the measurement focus applied.

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

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes both measurable and available to finance the expenditures of the current period (susceptible to accrual).

Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as franchise fees, sales, use, utility users, transient occupancy, and gasoline taxes), interest, special assessments levied, state and federal grants, and charges for current services. Revenue from licenses, permits, fines and forfeits are recorded as received. Expenditures are recorded when the related fund liability is incurred.

All governmental funds are accounted for using a current financial resources *measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

The government-wide financial statement is accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Cash and Investments

Cash and investments held in the City's investment pool are reported as cash and investments since "funds" can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments either: (1) with a maturity of three months or less when purchased to be cash equivalents or (2) collected within sixty days of the fiscal year end. Cash and cash equivalents are reported under the caption "cash and investments" on the statement of net position and balance sheet.

Receivables and Payables

Property, sales, use, utility users, transient occupancy, and gasoline taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur.

Balances representing lending/borrowing transactions between funds outstanding at fiscal year end are reported as internal loans and consist of either (1) "due to/from other funds" (amounts due within one year), (2) "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or (3) "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements).

Grants, entitlements or shared revenue are recorded as receivables and revenue in the general and special revenue funds when they are received or susceptible to accrual.

Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Prepaid Expenses

The purchase of materials and supplies in the water and sewer enterprise funds that have not been consumed as of year end are recorded as prepaid expenses, and are charged to expenses when consumed.

Notes Receivable - Economic and Community Development Loans

The majority of these loans consist of deferred repayment loans under the City's housing and economic development programs. These programs were funded from government grant awards to the City, which were reported as grant revenue in the year received, and expenditures in the year the loans were made. A deferred loan is required to be repaid in full when the secured property is sold or transferred. Prior to the sale or transfer, loan payments are generally not required. Principal and interest payments which are receivable at year end are offset by an equal amount of deferred revenue. Such payments are recognized as revenue when received.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003 in accordance with GASB Statement No. 34. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital outlay is recorded as *expenditures* of the general and special revenue funds, and as *capital assets* in the government-wide financial statements to the extent the City's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their historic cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 5 to 20 years for equipment, machinery and vehicles, and 20 to 50 years for buildings, improvements, and infrastructure. Land, art and treasurers, are not considered exhaustible, therefore are not being depreciated.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of 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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. The City's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions, social security and medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. Eligible employees, depending upon their position and length of service, can accumulate between two to four weeks vacation. The City accrues a liability for compensated absences which meet the following criteria:

- The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

Long-term Obligations

In the government-wide financial statements, long-term debt and such obligations are reported as liabilities in the applicable column on the statement of net position. For the most part, compensated absences are generally considered due after one year.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Net Position and Fund Balances

The City's net position is classified as follows on the government-wide statement of net position:

- Invested in capital assets, net of related debt - represents the City's total investment in capital assets reduced by any outstanding debt used to acquire those assets.
- Restricted net position - includes resources that the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position - represents resources derived from sources without spending restrictions, are used for transactions relating the general operations of the City, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Fund Balance designations are classified on the governmental funds balance sheet as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b), not in spendable form such as long-term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the City Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the City Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Property Tax Revenue

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- *Property Valuations* - are established by the Glenn County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII-A of the State Constitution (Proposition 13, approved by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- *Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* - are attached annually on January 1, proceeding the fiscal year for which the taxes

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

- *Tax Collections* - are the responsibility of the county's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments. The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments. The City has elected to receive the City's portion of the property taxes from the county under the State's Teeter Plan program. Under this program, the City receives 100% of the City's share of the levied property taxes in periodic payments with the county assuming responsibility for the delinquencies.
- *Tax Levy Apportionments* - due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county's auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three fiscal years prior to fiscal year 1979.
- *Property Tax Administration Fees* - the State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

**Revenue and Expenditures**

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

Operating income in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenue for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. Expenditures are recognized when the related fund liability is incurred.

***Note 2 - Stewardship, Compliance, and Accountability***

**Budgetary Information**

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at normally scheduled sessions which are open to the

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.

3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Economic Dependence

In fiscal year 2013-14, the City received 73.6% of its total general fund revenue from three sources; sales taxes, property taxes, and motor vehicle in-lieu state revenue. Any reduction in assessed property values or disruption to the overall economy could cause consequences to the City's main operating budget. In the event of such a downturn, the City may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level.

**Note 3 - Cash and Investments**

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees, under the provisions of bond covenants. Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 3,225,496
Cash and Investments consist of the following:	
Deposits with financial institutions:	
Checking accounts	\$ 667,481
Money market mutual funds	1,958,434
Fixed income: certificates of deposit	463,009
Mutual funds: US government obligations, bonds	131,084
Investment with Local Agency Investment Fund	5,488
	\$ 3,225,496

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$3,225,052 and the financial institution's account balances were \$3,199,069. The difference of \$25,983 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$972,773 was insured by the Federal Depository Insurance Corporation (FDIC) and \$2,252,279 was collateralized in accordance with California Government Code Section 53600 – 53609.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Investment Policy

The table below identifies the investment types that are authorized under provisions of the City's investment policy adopted September 7, 2005, and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
Certificates of Deposit	5 years	None	None	None
Negotiable Certificates of Deposit	5 years	30%	None	None
Local Agency Investment Fund	N/A	None	\$5m	None
Passbook Savings	N/A	None	None	None
U.S. Government Securities	5 years	None	None	None
U.S. Treasury Securities	5 years	None	None	None
Bankers Acceptances	270 days	40%	None	None
Commercial Paper	180 days	30%	None	None
Medium Term Notes	5 years	30%	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Orland manages its exposure to interest rate risk is by investing in due on demand and short-term investments; which provides cash flow and liquidity needed for operations.

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. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds, as described in detail above.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California government code. Investments in any one issuer that represent 5% or more of total investments at June 30, 2013 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Demand deposit - checking	\$ 667,437	on demand	0.0%	21%
Money market mutual funds	1,958,434	on demand	0.25%	61%
Met-Life Securities:				
certificates of deposit	463,009	15 months	4.0%	14%
mutual US Treasury bond funds	131,084	on demand	2.5%	4%
Local Agency Investment Fund	5,488	7.7 months	0.23%	0%

Custodial Credit Risk

The 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

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

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." At June 30, 2014, the City had \$2,252,279 in financial institutions that was not covered by the FDIC, but was covered by collateralized securities of the financial institutions where the deposits were maintained.

The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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).

Participation in an External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2014, PMIA had approximately \$63 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

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 - Risk Management**

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Golden State Risk Management Authority (GSRMA, the Authority), a public entity risk pool currently operating as a common risk management and insurance program for 170 member cities, counties and districts. The relationship between the City and GSRMA is such that the Authority is not a component unit of the City for financial reporting purposes. GSRMA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements of the Authority may be obtained from GSRMA, Post Office Box 706, Willows, California 95988.

During the year the City expended \$121,173 for workers compensation coverage and \$99,358 for property and liability coverage. Policy limits are \$50m per occurrence for general liability, and up to \$600,000 maximum payment per covered loss for automobile physical damage, mobile equipment, boiler and machinery. Policy limits for workers' compensation match statutory limits on a per occurrence basis. Employer's liability coverage is included with the policy limits of \$5m per occurrence.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5 - Commitments and Contingencies**

In the normal course of municipal operations, there are various legal claims and legal actions pending against the City for which no provision has been made in the financial statements because the amount of liability, if any, is unknown. In the opinion of the City attorney and City management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

At June 30, 2014, the City was in contract for several grant funded construction projects, which are expected to be completed by December 31, 2014.

**Note 6 - Receivables**

At June 30, 2014, accounts and other receivables as reported in the statement of net position consist of the following:

Governmental Activities:	
Property taxes	\$ 40,300
Sales taxes	171,976
State mandates	7,370
Construction grants	215,451
State Forestry	9,150
Public Safety grants	25,697
County reimbursements	12,097
Gasoline and STIP taxes	106,863
Engineer fees from developers	2,564
Franchise fees and TOT	18,751
	<u>\$ 610,219</u>
Business-type Activities:	
Water utility customers	39,172
Sewer utility customers	37,312
	<u>\$ 76,484</u>

Notes receivable in the amount of \$5,918,885 consists of deferred repayment loans provided under the City housing and economic development department's affordable housing purchase and rehabilitation grant award programs. The loans are collateralized by deeds of trust on the purchased or improved properties. Repayment terms vary from 15 to 30 years. Some of the loans provide for accrued interest forgiveness under pre-determined contract guidelines.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - Capital Assets**

Governmental-type capital asset activity for the year consists of the following:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 181,286	\$ -	\$ -	\$ 181,286
<i><u>Depreciable Assets:</u></i>				
Buildings and infrastructure	4,331,320	1,763,626	-	6,094,946
Vehicles and equipment	1,165,693	24,194	-	1,189,887
	5,497,013	1,787,820	-	7,284,833
<i><u>Accumulated Depreciation</u></i>	(1,415,271)	(282,491)	-	(1,697,762)
	4,081,742	1,505,329	-	5,587,071
Total capital assets, net	<u>\$ 4,263,028</u>	<u>\$ 1,505,329</u>	<u>\$ -</u>	<u>\$ 5,768,357</u>

Business-type capital asset activity for the year was as follows:

<i>WATER UTILITY FUND</i>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Dispositions</u>	<u>Ending Balance</u>
<i><u>Depreciable Assets:</u></i>				
System infrastructure, improvements & equipment	\$ 2,452,230	\$ 106,300	\$ -	\$ 2,558,530
<i><u>Accumulated Depreciation</u></i>	(1,407,204)	(49,730)	-	(1,456,934)
Total capital assets, net	<u>\$ 1,045,026</u>	<u>\$ 56,570</u>	<u>\$ -</u>	<u>\$ 1,101,596</u>
 <i>SEWER UTILITY FUND</i>				
<i><u>Non-depreciable Assets:</u></i>				
Land	\$ 8,580	\$ -	\$ -	\$ 8,580
<i><u>Depreciable Assets:</u></i>				
System infrastructure, improvements & equipment	1,615,796	95,340	-	1,711,136
<i><u>Accumulated Depreciation</u></i>	(666,011)	(37,246)	-	(703,257)
	949,785	58,094	-	1,007,879
Total capital assets, net	<u>\$ 958,365</u>	<u>\$ 58,094</u>	<u>\$ -</u>	<u>\$ 1,016,459</u>

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

*INDUSTRIAL SEWER UTILITY*

Depreciable Assets:

System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u>Accumulated Depreciation</u>	<u>(404,128)</u>	<u>(14,715)</u>	<u>-</u>	<u>(418,843)</u>
Total capital assets, net	<u>\$ 184,316</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 169,601</u>

*BUILDING OFFICIAL FUND*

Depreciable Assets:

Vehicles and equipment	\$ 44,611	\$ -	\$ -	\$ 44,611
<u>Accumulated Depreciation</u>	<u>(34,567)</u>	<u>-</u>	<u>-</u>	<u>(34,567)</u>
Total capital assets, net	<u>\$ 10,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,044</u>

**Note 8- Payables**

At June 30, 2014 accounts and accrued expenses as reported in the total column of the statement of net position consist of the following:

Accounts Payable for

Construction projects	\$ 171,477
Utilities	32,801
Payroll and benefits	16,503
Glenn County	13,000
Other vendors and suppliers	53,223
	<u>\$ 287,004</u>

**Note 9 - Long-term Obligations**

Compensated Absences

City employees accumulate earned but unused vacation benefits. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position in the amount of \$198,819 for governmental activities, and \$54,692 for business-type activities.

Pension Obligation Bonds

On February 22, 2012, the City issued \$2,308,200 in taxable bonds to refund an obligation to the California Public Employees Retirement System (CalPERS), in an effort to reduce its interest rate from 7.5% to a blended rate of 4.15%, which will provide an estimated total savings of \$178,000 over a 10 year period. The bonds are secured by a pledge of general fund revenue. As of June 30, 2014 the outstanding balance was \$1,856,200.

Future bond payment requirements consist of the following:

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Year Ending June 30,	Pension Obligation Bonds - Series 2012		
	Principal	Interest	Total
2015	\$ 228,600	\$ 75,478	\$ 304,078
2016	249,100	65,866	314,966
2017	270,800	55,397	326,197
2018	293,600	44,017	337,617
2019	248,900	17,969	266,869
2020-2023	565,200	50,415	615,615
	<u>\$ 1,856,200</u>	<u>\$ 309,142</u>	<u>\$ 2,165,342</u>

Capital Lease Purchase Obligation

Contract dated November 20, 2008, due in monthly payments of \$3,651, interest at 4.9% per annum, final maturity fiscal year 2013-14, secured by a Vac-Con utility truck. As of June 30, 2014 the outstanding balance was \$-0-.

The following summarizes the change in long-term obligations for the year:

	Beginning Balance	Additions	Reductions	End of Year	Due Within One Year
<u>Governmental Activities</u>					
Pension obligation bonds	\$ 2,065,400	\$ -	\$ (209,200)	\$ 1,856,200	\$ 228,600
Compensated absences	164,991	33,828	-	198,819	
	<u>\$ 2,230,391</u>	<u>\$ 33,828</u>	<u>\$ (209,200)</u>	<u>\$ 2,055,019</u>	
<u>Business-type Activities</u>					
Capital lease purchase	\$ 14,746	\$ -	\$ (14,746)	\$ -	
Compensated absences	88,898	-	(34,206)	54,692	
	<u>\$ 103,644</u>	<u>\$ -</u>	<u>\$ (48,952)</u>	<u>\$ 54,692</u>	

Operating Lease Obligation

Contract entered into on January 1, 2011 between the County of Glenn, and the City of Orland, to lease seven public safety vehicles. Monthly lease costs are based upon mileage depreciation, and operating and maintenance costs. The lease contract expires in fiscal year 2014-15 and is expected to be renewed. Monthly lease costs have averaged \$5,000 per month.

Future lease obligations, subject to miles driven and maintenance costs, are estimated as follows:

Year Ending June 30,	
2015	\$ 31,800

Internal Loan

On November 20, 2005, the City Council authorized by Resolution, a \$436,122 loan from the water enterprise fund to the general fund to provide for the purchase of real estate for development of a facility to be used for public safety services. The loan accrues interest at the Local Agency Investment Fund (LAIF) rate. Repayment of the loan is scheduled over a 30-year period to the extent that the general fund has available resources, and may be deferred. At June 30, 2014 the outstanding balance was \$473,047.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 10 - Interfund Transactions**

The following summarizes internal loans. During the year, several funds did not have adequate cash for operations; consequently other funds were able to provide short-term loans for working capital requirements. These balances have been eliminated in the government-wide statements and are expected to be repaid within the next fiscal year, unless noted.

<u>Due from Other Funds / Receivables</u>	
General fund	\$ 536,383
Water fund (see Note 7 Internal Loan)	473,047
	\$ 1,009,430

<u>Due to Other Funds / Payables</u>	
General fund (see Note 7 Internal Loan)	\$ 473,047
Sewer fund	25,338
Building inspection fund	245,989
Prop 40 pool fund	115,000
Police dept grant funds	24,955
Housing grant funds	125,101
	\$ 1,009,430

The City reports interfund transfers between many of its funds. Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts, to the debt service fund as debt service payments become due, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City accounts for its capital improvement and construction projects primarily through its special revenue funds. Such expenditures are primarily funded from general fund revenue, tax revenue, grants and developer impact fees. These transfers are reported in the fiscal period in which the transactions are approved and recorded.

The following table reports operating transfers by fund type:

<u>Fund type</u>	<u>Operating transfers</u>	
	<u>In</u>	<u>Out</u>
General fund	\$ 10,396	\$ -
Developer impact fees	50,692	-
Library project fund	-	50,692
Recreation sprinklers fund	-	1,200
Traffic mitigation fund	-	8,755
Economic grants funds	-	441
	\$ 61,088	\$ 61,088

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 11 - Defined Benefit Pension Plan**

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS annual financial report may be obtained from their Executive Office, 400 "P" Street, Sacramento, California 95814.

Employer and Employee Contributions

For employees hired before January 1, 2013 ("Classic" employees), non-safety participants (miscellaneous plan) are required to contribute 8% of their annual covered salary, while public safety participants (safety plan) are required to contribute 9% of their annual covered salary. Miscellaneous plan employees pay their employee-member share of plan contribution, while public safety employees contribute 8% of their required 9% share with the City paying the 1% difference. The City is required to contribute at an actuarially determined rate. The contribution requirements of plan employees and the City are established and may be amended by CalPERS. The fiscal year 2013-14 employer rate was 15.064% for miscellaneous plan employees, and 25.168% for safety plan employees. For employees hired after December 31, 2012 ("PEPRA" employees), the employees and the City are required by State law to share the retirement costs 50/50.

Annual Pension Cost

The City's annual pension cost of \$445,725 to CalPERS was equal to the City's required and actual employer contributions of \$315,185, and member contributions of \$130,540. The required fiscal year 2013-14 contributions were determined as part of the June 30, 2011 actuarial valuations using the "entry age actuarial cost method." The actuarial assumptions included:

- a 7.5% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.3% to 14.2% depending on age, service and type of employment
- an inflation rate of 2.75%
- a payroll growth rate of 3.0%
- individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

The actuarial value of CalPERS' risk pool assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value).

Historic Trend Information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due:

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011-12	\$ 564,402	100%	\$ -0-
2012-13	\$ 438,556	100%	\$ -0-
2013-14	\$ 445,725	100%	\$ -0-

**Note 12 - Retiree Healthcare Plan**

Plan Description

The City provides assistance for health insurance coverage through Golden State Risk Management Authority which offers various plans. The City contributes 1% of the medical insurance premium for the retiree and dependent, for each year of service, if the employee retires on or after July 1, 2013 with 20 years of service. This benefit expires when the employee/retiree qualifies for Medicare. If the dependent becomes Medicare eligible prior to the retiree, the contribution shall be applied to the cost of the employee-only premium. Six employees retired when the City formerly provided CalPERS medical insurance which guaranteed a monthly benefit of \$108 for life.

Funding Policy

The City Council will not be funding the plan in the current year. The Council will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The City's other postemployment benefit plan (OPEB) annual cost/expense is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 23,543
Interest on the net OPEB obligation	218
Adjustment to the Annual Required Contribution	(324)
Annual OPEB cost	<u>23,437</u>
Payments made	<u>(15,485)</u>
Increase in net OPEB obligation	7,952
Net OPEB obligation - beginning of year	<u>10,908</u>
Net OPEB obligation - end of year	<u><u>\$ 18,860</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current fiscal year was as follows:

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 23,543	\$ 12,635	53.7%	\$ 10,908
June 30, 2014	\$ 23,437	\$ 15,485	66.1%	\$ 18,860

**Funding Status and Funding Progress**

As of June 30, 2014, the actuarial accrued liability (AAL) for benefits was \$353,109, all of which is unfunded. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information, when available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Mortality* – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website ([www.cdc.gov](http://www.cdc.gov)). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

*Turnover* – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

*Healthcare cost trend rate* – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.0%.

*Health insurance premiums* – 2012-13 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

*Medicare Coordination* – Medicare was assumed as the primary payer for current and future retirees at age 65.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

*Payroll increase* – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.8% annually.

*Discount rate* – The calculation uses an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

*Actuarial cost method* – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis over 30 years.

Plan for Funding

On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

**Note 13 - Subsequent Events**

The management of the City has reviewed the results of operations for the period from its year end June 30, 2013 through January 6, 2015, the date the financial statements were available to be issued in “draft” form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 14 - New Pronouncements**

Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*: The Statement revises existing standards of financial reporting for most pension plans. The Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they become due. This Statement is effective for periods beginning on or after June 15, 2013.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*:

The Statement revises existing standards of financial reporting for most governments that provide their employees with pension benefits. The Statement establishes reporting requirements of the net pension plan liability in the government-wide financial statements, how to measure pension liabilities, and presentation of the financial information and disclosures related to the employer. This Statement is effective for periods beginning on or after June 15, 2014.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF ORLAND**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedule**  
**Year Ended June 30, 2014**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved budget.
- The City Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the City's needs; however, revisions that alter the total expenditures must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the City Council.

**CITY OF ORLAND**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison Information**  
**General Fund**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows)</b>				
Sales taxes	\$ 1,011,506	\$ 1,011,506	\$ 1,096,468	\$ 84,962
Property taxes	844,060	844,060	788,100	(55,960)
Vehicle license fees	530,000	530,000	535,210	5,210
Franchise taxes	105,000	105,000	115,163	10,163
Transient occupancy taxes	44,000	44,000	50,443	6,443
Licenses and fees	21,500	21,500	20,750	(750)
Fines and forfeits	34,000	34,000	36,285	2,285
Glenn County Library support	60,299	60,299	60,299	-
City of Willows Library support	-	-	88,830	88,830
Real property transfer tax	10,000	10,000	13,775	3,775
HOPTR	10,000	10,000	9,397	(603)
Charge for services	231,500	231,500	160,340	(71,160)
Use of money and property	53,000	53,000	54,588	1,588
Administrative allocation	218,400	218,400	254,337	35,937
Other revenue	10,000	10,000	1,840	(8,160)
Transfers in from other funds	-	-	10,396	10,396
Amounts Available for Appropriation	<u>3,183,265</u>	<u>3,183,265</u>	<u>3,296,221</u>	<u>112,956</u>
<b>Charges to Appropriations (Outflows)</b>				
City Council	31,897	31,897	33,720	(1,823)
City Manager	176,474	176,474	216,296	(39,822)
City Clerk	92,063	92,063	98,128	(6,065)
City Finance	88,256	88,256	87,251	1,005
City Attorney	47,277	47,277	46,362	915
City Engineer	21,983	21,983	48,264	(26,281)
City Building inspector (budget includes funds 00 and 29)	116,125	116,125	24,740	91,385
Building maintenance	68,988	68,988	69,551	(563)
Public works	-	-	529	(529)
City Planning	88,556	88,556	104,861	(16,305)
City Police	1,633,467	1,633,467	1,650,385	(16,918)
City Fire	160,104	160,104	149,823	10,281
City Library	301,594	301,594	299,317	2,277
City Recreation	200,522	200,522	240,488	(39,966)
City pool maintenance	-	-	26,511	(26,511)
Grants administration	1,925	1,925	2,500	(575)
Streets and storm drains	56,896	56,896	55,203	1,693
Parks maintenance	71,730	71,730	87,617	(15,887)
Other	-	-	8,552	(8,552)
Total Charges to Appropriations	<u>3,157,857</u>	<u>3,157,857</u>	<u>3,250,098</u>	<u>(83,689)</u>
<b>Surplus (Deficit)</b>	<u>\$ 25,408</u>	<u>\$ 25,408</u>	<u>\$ 46,123</u>	<u>\$ 29,267</u>

**CITY OF ORLAND**  
**Required Supplementary Information (unaudited)**  
**Fund Balance Designations Section of the Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

<b>Fund Balances</b>	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>				
Library remodel/book purchases	-	-	97,940	97,940
DIF capital expenditures	-	1,298,802	-	1,298,802
Gas tax - streets/sidewalks	-	-	342,841	342,841
Transportation tax - streets	-	-	10,167	10,167
Assessment Districts	-	-	521,062	521,062
Art Commission expenditures	-	-	2,133	2,133
Public safety grant funds - police dept	-	-	9,460	9,460
CDBG - grant reuse loan funds	-	230,976	5,059	236,035
<b>Total restricted fund balances</b>	<b>-</b>	<b>1,529,778</b>	<b>988,662</b>	<b>2,518,440</b>
<b>Committed to:</b>				
Fire dept apparatus replacement	157,492	-	-	157,492
<b>Total committed fund balances</b>	<b>157,492</b>	<b>-</b>	<b>-</b>	<b>157,492</b>
<b>Assigned to:</b>				
State unemployment insurance	87,000	-	-	87,000
Community Center expenditures	-	-	1,316	1,316
Safety program	-	-	32,590	32,590
<b>Total assigned fund balances</b>	<b>87,000</b>	<b>-</b>	<b>33,906</b>	<b>120,906</b>
<b>Unassigned</b>	<b>498,900</b>	<b>-</b>	<b>-</b>	<b>498,900</b>
<b>Total Fund Balances</b>	<b>\$ 743,392</b>	<b>\$ 1,529,778</b>	<b>\$ 1,022,568</b>	<b>\$ 3,295,738</b>

**CITY OF ORLAND**  
**Required Supplementary Information (unaudited)**  
**Defined Benefit Pension Plan**  
**Schedule of Funding History**  
**June 30, 2014**

The funded status of the two defined benefit pension plans as of the most recent actuarial valuation dates is as follows (in millions):

<u>Valuation Date</u>	<u>Actuarial Liability (AL)</u>	<u>Share of Pool's Market Value of Assets (MVA)</u>	<u>Plan's Share of Pool's Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>
<hr/> Miscellaneous Plan - 2.7% at age 55 Risk Pool					
6/30/2013	\$ 9.7	\$ 7.5	\$ 2.2	77%	\$ 1.1
 Safety Plan - 3.0% at age 50 Risk Pool					
6/30/2010	\$ 6.3	\$ 4.9	\$ 1.4	78%	\$ 0.7

**CITY OF ORLAND**  
**Required Supplementary Information (unaudited)**  
**Retiree Healthcare Plan**  
**Schedule of Funding History**  
**June 30, 2014**

The funded status of the retiree healthcare plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)
6/30/2013	\$ 353,109	\$ -	\$ 353,109	0%	\$ 1,006,895

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ORLAND**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

<b>ASSETS</b>	Gasoline Tax	Transportation Tax	Assessment Districts	Community Center	Prop 40 Pool	Arts Commission	Safety Fund	Library Funds	Police Department Grants	Economic & Block Grants	Totals
Cash and investments	\$ 235,978	\$ 10,167	\$ 518,226	\$ 1,315	\$ -	\$ 2,133	\$ 32,590	\$ 97,940	\$ 8,719	\$ 5,059	\$ 912,127
Receivables	106,863	-	2,836	-	115,000	-	-	-	25,697	-	250,396
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Notes receivables	-	-	-	-	-	-	-	-	-	4,817,995	4,817,995
Total Assets	\$ 342,841	\$ 10,167	\$ 521,062	\$ 1,315	\$ 115,000	\$ 2,133	\$ 32,590	\$ 97,940	\$ 34,416	\$ 4,823,054	\$ 5,980,518
<b>LIABILITIES</b>											
Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-	-	-	-	4,817,995	4,817,995
Internal loans	-	-	-	-	115,000	-	-	-	24,956	-	139,956
Total Liabilities	-	-	-	-	115,000	-	-	-	24,956	4,817,995	4,957,951
<b>FUND BALANCES</b>											
Restricted	342,841	10,167	521,062	-	-	2,133	-	97,940	9,460	5,059	988,662
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	1,315	-	-	32,590	-	-	-	33,905
Unreserved	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	342,841	10,167	521,062	1,315	-	2,133	32,590	97,940	9,460	5,059	1,022,567
Total Liabilities and Fund Balances	\$ 342,841	\$ 10,167	\$ 521,062	\$ 1,315	\$ 115,000	\$ 2,133	\$ 32,590	\$ 97,940	\$ 34,416	\$ 4,823,054	\$ 5,980,518

**CITY OF ORLAND**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Year Ended June 30, 2014**

REVENUE	Gasoline	Transportation	Assessment	Community	Prop 40	Arts	Library	Recreation	Selective	Safety	Library	Police	Economic	Totals
	Tax	Tax	Districts	Center	Pool	Commission	Project	Sprinklers	Traffic	Fund	Funds	Department	& Block	
Intergovernmental revenue	\$ 320,870	\$ -	\$ -	\$ -	\$ 115,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,105	\$ -	\$ 560,975
Charge for services	-	-	54,775	-	-	21,160	-	-	-	-	10,525	-	-	86,460
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	22,053	300	22,788	-	45,141
Total Revenue	320,870	-	54,775	-	115,000	21,160	-	-	-	22,053	10,825	147,893	-	692,576
<b>EXPENDITURES</b>														
Current -														
General government	-	-	-	-	-	-	-	-	-	11,615	-	-	-	11,615
Community development	-	-	-	-	-	-	-	-	-	-	-	-	12,273	12,273
Public safety	-	-	-	-	-	-	-	-	-	-	-	144,783	-	144,783
Public works and streets	313,394	-	55,240	-	-	-	-	-	-	-	-	-	-	368,634
Library and Arts	-	-	-	-	-	17,954	-	-	-	-	7,664	-	-	25,618
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	115,000	-	-	-	-	-	-	-	-	115,000
Total Expenditures	313,394	-	55,240	-	115,000	17,954	-	-	-	11,615	7,664	144,783	12,273	677,923
Excess of Revenue Over														
(Under) Expenditures	7,476	-	(465)	-	-	3,206	-	-	-	10,438	3,161	3,110	(12,273)	14,653
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	(50,692)	(1,200)	(8,755)	-	-	-	(441)	(61,088)
<b>CHANGE IN FUND BALANCES</b>	7,476	-	(465)	-	-	3,206	(50,692)	(1,200)	(8,755)	10,438	3,161	3,110	(12,714)	(46,435)
Fund Balance - beginning	335,365	10,167	521,527	1,315	-	(1,073)	50,692	1,200	8,755	22,152	94,779	6,350	17,773	1,069,002
Fund Balance - end of year	\$ 342,841	\$ 10,167	\$ 521,062	\$ 1,315	\$ -	\$ 2,133	\$ -	\$ -	\$ -	\$ 32,590	\$ 97,940	\$ 9,460	\$ 5,059	\$ 1,022,567



## **APPENDIX A**

**City of Orland**  
***California***

---

**Single Audit Report**

**Year Ended**  
**June 30, 2014**

**CITY OF ORLAND, CALIFORNIA**

**Single Audit Report**

**Table of Contents**

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* ..... 2

Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct And  
Material Effect on Each Major Program and On Internal Control over Compliance in Accordance  
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards ..... 3-4

Schedule of Expenditures of Federal Awards ..... 5

Notes to the Schedule of Expenditures of Federal Awards ..... 6

Schedule of Findings and Questioned Costs ..... 7

# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

---

2701 Cottage Way, Suite 30 / Sacramento, California 95825

### **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**

Honorable Mayor  
Members of the City Council  
City of Orland, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Orland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Orland's basic financial statements, and have issued our report thereon dated December 5, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Orland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Orland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Orland'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Orland'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.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
December 5, 2014

# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

---

2701 Cottage Way, Suite 30 / Sacramento, California 95825

### **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor  
Members of the City Council  
City of Orland, California

#### **Report on Compliance for Each Major Federal Program**

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

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

Honorable Mayor  
Members of the City Council  
Mammoth Lakes, California

### **Report on Internal Control Over Compliance**

Management 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 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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* 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* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orland as of and for the year ended June 30, 2014, and have issued our report thereon dated December 5, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
December 5, 2014

**CITY OF ORLAND, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
 <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>		
Community Development Block Grants/State's Program Passed through the State of California, Department of Housing and Community Development Division of Financial Assistance Community Development Block Grant (CDBG) Program CDBG Standard Agreement #12-CDBG-8404	14.228	<u>660,161</u>
 Total Expenditures of Federal Awards		 <u>\$ 660,161</u>

**CITY OF ORLAND, CALIFORNIA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

***Note A - Reporting Entity Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Orland, California under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net assets of the City.

***Note B - Summary of Significant Accounting Policies***

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Federal grant awards were primarily passed through the State of California, as reported on the Schedule, with direct awards indicated when applicable.

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

(4) There were no subrecipients of federal awards this year.

**CITY OF ORLAND, CALIFORNIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

- 1. Type of auditor's report issued: *Unqualified*
- 2. Internal controls over financial reporting:
  - a. Material weaknesses identified? *No*
  - b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*
- 3. Noncompliance material to financial statements noted? *No*

Federal Awards

- 1. Internal control over major programs:
  - a. Material weaknesses identified? *No*
  - b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*
- 2. Type of auditor's report issued on compliance for major programs: *Unqualified*
- 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? *No*

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program

- 5. Dollar threshold used to distinguish between Type A and Type B programs? *\$300,000*
- 6. Auditee qualified as low-risk auditee under OMB Circular A-133, section 510(a) *No*

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Current Year: *None Reported*  
 Prior Year: *Not applicable, no Single Audit Requirement*

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Year: *None Reported*  
 Prior Year: *Not applicable, no Single Audit Requirement*

