

CITY OF ORLAND

California

Annual Financial Report June 30, 2018

Elected Officials

City Council

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

City Clerk
Angela Crook

Appointed Officials

City Manager
Peter R. Carr

City Treasurer
Deisy Guerrero

CITY OF ORLAND

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Post Office Box 60127 / Sacramento, California 95860

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that (1) management's discussion and analysis, (2) pension plan liability and contributions schedules, (3) other postemployment benefits plan total liability, net position, and net liability schedules, and (4) the respective budgetary comparison information of the general fund, 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 an opinion on the financial statements that collectively comprise the City of Orland's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is 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
November 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ORLAND
Government-wide Financial Statements
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,244,651	\$ 1,446,639	\$ 5,691,290
Receivables	735,699	125,288	860,987
Internal balances	(380,542)	380,542	-
Prepaid expenses	-	18,546	18,546
Total current assets	<u>4,599,808</u>	<u>1,971,015</u>	<u>6,570,823</u>
Notes receivable	6,594,030	-	6,594,030
Capital assets not being depreciated	306,681	21,619	328,300
Capital assets, net of depreciation	<u>7,797,770</u>	<u>5,833,645</u>	<u>13,631,415</u>
Total noncurrent assets	<u>14,698,481</u>	<u>5,855,264</u>	<u>20,553,745</u>
Total assets	<u>19,298,289</u>	<u>7,826,279</u>	<u>27,124,568</u>
Deferred Outflows of Resources			
Deferred pension outflows	1,334,339	310,042	1,644,381
Deferred OPEB outflows	<u>22,366</u>	<u>6,308</u>	<u>28,674</u>
Total assets and deferred outflows	<u>20,654,994</u>	<u>8,142,629</u>	<u>28,797,623</u>
Liabilities			
Payables	133,596	36,468	170,064
Deposits	35,534	-	35,534
Noncurrent liabilities:			
Due within one year	635,200	326,430	961,630
Due in more than one year	<u>7,063,572</u>	<u>5,157,390</u>	<u>12,220,962</u>
Total liabilities	<u>7,867,902</u>	<u>5,520,288</u>	<u>13,388,190</u>
Deferred Inflows of Resources			
Deferred pension inflows	173,062	83,713	256,775
Deferred OPEB inflows	<u>16,895</u>	<u>4,764</u>	<u>21,659</u>
Total liabilities and deferred inflows	<u>8,057,859</u>	<u>5,608,765</u>	<u>13,666,624</u>
Net Position			
Net investment in capital assets	7,713,472	1,996,433	9,709,905
Restricted	3,300,479	-	3,300,479
Unrestricted	<u>1,583,184</u>	<u>537,431</u>	<u>2,120,615</u>
Total net position	<u>\$ 12,597,135</u>	<u>\$ 2,533,864</u>	<u>\$ 15,130,999</u>

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, 2018

Functions/Programs	Operating Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 518,747	\$ 41,144	\$ -	\$ -	\$ (477,603)		\$ (477,603)
Community development	321,828	88,993	295,169	-	62,334		62,334
Public safety	1,854,217	36,164	148,595	-	(1,669,458)		(1,669,458)
Public works and streets	865,694	56,392	295,427	-	(513,875)		(513,875)
Library and arts	481,062	127,477	65,680	-	(287,905)		(287,905)
Parks and recreation	574,368	102,288	-	-	(472,080)		(472,080)
Depreciation expense	360,327	-	-	-	(360,327)		(360,327)
Interest expense	429,081	-	-	-	(429,081)		(429,081)
Capital expenditures	66,176	-	-	-	(66,176)		(66,176)
Total governmental activities	<u>5,471,500</u>	<u>452,458</u>	<u>804,871</u>	<u>-</u>	<u>(4,214,171)</u>		<u>(4,214,171)</u>
Business-type Activities							
Water	1,352,640	1,572,100	-	-		\$ 219,460	219,460
Sewer	1,264,907	1,078,502	-	-		(186,405)	(186,405)
Industrial sewer	34,016	61,827	-	-		27,811	27,811
Total business-type activities	<u>2,651,563</u>	<u>2,712,429</u>	<u>-</u>	<u>-</u>		<u>60,866</u>	<u>60,866</u>
Total primary government	<u>\$ 8,123,063</u>	<u>\$ 3,164,887</u>	<u>\$ 804,871</u>	<u>\$ -</u>	<u>(4,214,171)</u>	<u>60,866</u>	<u>(4,153,305)</u>
General Revenue							
Property taxes					864,643	-	864,643
Motor vehicle in-lieu					658,525	-	658,525
Sales tax					2,941,171	-	2,941,171
Franchise and TOT					205,752	-	205,752
Licenses, fees & fines					53,958	-	53,958
Use of money and property					69,577	43,063	112,640
Other revenue					380,178	46,712	426,890
Total general revenue					<u>5,173,804</u>	<u>89,775</u>	<u>5,263,579</u>
Change in Net Position							
Net Position - beginning					11,637,502	2,383,223	14,020,725
Net Position - end of year					<u>\$ 12,597,135</u>	<u>\$ 2,533,864</u>	<u>\$ 15,130,999</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

CITY OF ORLAND
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Assets				
Cash and investments	\$ 880,950	\$ 1,859,028	\$ 1,504,673	\$ 4,244,651
Receivables	620,791	-	114,908	735,699
Internal loans	158,171	-	-	158,171
Notes and interest receivable	-	-	6,594,030	6,594,030
Total assets	<u>\$ 1,659,912</u>	<u>\$ 1,859,028</u>	<u>\$ 8,213,611</u>	<u>\$ 11,732,551</u>
Liabilities				
Payables	\$ 102,798	\$ -	\$ 30,798	\$ 133,596
Deposits	35,534	-	-	35,534
Deferred revenue	-	-	6,594,030	6,594,030
Internal loans	435,319	-	103,394	538,713
Total liabilities	<u>573,651</u>	<u>-</u>	<u>6,728,222</u>	<u>7,301,873</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	1,859,028	1,441,451	3,300,479
Committed	-	-	-	-
Assigned	350,933	-	104,170	455,103
Assigned, Measure A	735,328	-	-	735,328
Unassigned	-	-	(60,232)	(60,232)
Total fund balances	<u>1,086,261</u>	<u>1,859,028</u>	<u>1,485,389</u>	<u>4,430,678</u>
Total liabilities and fund balances	<u>\$ 1,659,912</u>	<u>\$ 1,859,028</u>	<u>\$ 8,213,611</u>	<u>\$ 11,732,551</u>

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, 2018

Total fund balances - governmental funds (page 6) \$ 4,430,678

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

- (1) Capital assets used in governmental activities are not financial resources,
and therefore, are not reported in the funds balance sheet. 8,104,451

- (2) Deferred revenue related to long-term notes receivable is not recognized in the governmental
funds financial statements until collected, but is recognized in the government-wide
financial statements the year incurred. 6,594,030

- (3) Long-term debt and obligations are not due and payable in the current period
and therefore, are not reported in the governmental funds balance sheet. (7,698,772)

- (4) Deferred outflows of resources are not recognized as expenditures in the governmental funds
financial statements but are recognized in the government-wide financial statements:
Pension plan outflows 1,334,339
OPEB plan outflows 22,366

- (5) Deferred inflows of resources are not recognized as revenue in the governmental funds
financial statements but are recognized in the government-wide financial statements:
Pension plan inflows (173,062)
OPEB plan inflows (16,895)

Net position of governmental activities (page 4) \$ 12,597,135

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, 2018

	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Revenue				
Taxes and assessments	\$ 3,993,693	\$ -	\$ -	\$ 3,993,693
Licenses, fees and fines	71,831	-	-	71,831
Intergovernmental	724,205	-	427,818	1,152,023
Charge for services	301,112	69,594	81,752	452,458
Use of money and property	58,839	6,282	4,456	69,577
Other revenue	309,373	-	382,178	691,551
Total revenue	<u>5,459,053</u>	<u>75,876</u>	<u>896,204</u>	<u>6,431,133</u>
Expenditures				
Current:				
General government	606,957	-	-	606,957
Community development	239,678	-	145,835	385,513
Public safety	2,152,166	-	75,699	2,227,865
Public works and streets	631,044	-	347,561	978,605
Library and Arts	429,465	-	19,334	448,799
Parks and recreation	543,898	-	-	543,898
Debt service	429,081	-	-	429,081
Capital expenditures	447,810	366,390	58,798	872,998
Total expenditures	<u>5,480,099</u>	<u>366,390</u>	<u>647,227</u>	<u>6,493,716</u>
Revenue over (under) Expenditures	(21,046)	(290,514)	248,977	(62,583)
Other Financing Sources (Uses)				
Proceeds from new financing	236,683	-	-	236,683
Transfers in (out)	(46,712)	-	-	(46,712)
Total Other Sources (Uses)	<u>189,971</u>	<u>-</u>	<u>-</u>	<u>189,971</u>
Change in Fund Balances	168,925	(290,514)	248,977	127,388
Fund Balances - beginning	917,336	2,149,542	1,236,412	4,303,290
Fund Balances - end of year	<u>\$ 1,086,261</u>	<u>\$ 1,859,028</u>	<u>\$ 1,485,389</u>	<u>\$ 4,430,678</u>

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, 2018**

Change in fund balances - governmental funds (page 8) \$ 127,388

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

(1) Governmental 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. This is the amount by which capital outlay exceeded depreciation expense in the current fiscal year.	575,686
(2) Proceeds from new long-term debt provide current resources in the funds financial statements but have no effect on net position in government-wide financials.	(236,683)
(3) The repayment of the principal portion of long-term debt consumes the current financial resources of government funds. However, in the government-wide financials these transactions have no effect on net position.	654,644
(4) Certain expenses are reported in the government-wide statement of activities but do not require the use of current resources and therefore are not reported as expenditures in the governmental funds:	
Change in pension plan liabilities and deferrals	(287,973)
Change in OPEB plan liabilities and deferrals	(64,378)
Compensated absences increase (decrease) in expense	(17,141)
Transfers between funds	46,712
(5) The increase or (decrease) in notes receivable affects current financial resources but has no effect on net position.	<u>161,378</u>
Change in net position of governmental activities (page 5)	<u>\$ 959,633</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Official	
Assets					
Cash and investments	\$ 1,134,543	\$ 168,673	\$ 143,423	\$ -	\$ 1,446,639
Receivables	80,303	44,985	-	-	125,288
Internal loans	435,341	-	-	-	435,341
Prepaid expenses	12,215	6,331	-	-	18,546
Capital assets not being depreciated	-	21,619	-	-	21,619
Capital assets, net of depreciation	3,366,251	2,356,653	110,741	-	5,833,645
Total assets	5,028,653	2,598,261	254,164	-	7,881,078
Deferred Outflows of Resources					
Deferred pension outflows	155,022	155,020	-	-	310,042
Deferred OPEB outflows	3,154	3,154	-	-	6,308
Total deferred outflows	158,176	158,174	-	-	316,350
Total assets and deferred outflows	5,186,829	2,756,435	254,164	-	8,197,428
Liabilities					
Payables	27,178	9,290	-	-	36,468
Internal loans	54,799	-	-	-	54,799
Noncurrent liabilities:					
Due within one year	139,490	186,940	-	-	326,430
Due in more than one year	3,159,532	1,997,858	-	-	5,157,390
Total liabilities	3,380,999	2,194,088	-	-	5,575,087
Deferred Inflows of Resources					
Deferred pension inflows	41,856	41,857	-	-	83,713
Deferred OPEB inflows	2,382	2,382	-	-	4,764
Total deferred inflows	44,238	44,239	-	-	88,477
Total liabilities and deferred inflows	3,425,237	2,238,327	-	-	5,663,564
Net Position					
Net investment in capital assets	932,113	953,579	110,741	-	1,996,433
Unrestricted	829,479	(435,471)	143,423	-	537,431
Total net position	\$ 1,761,592	\$ 518,108	\$ 254,164	\$ -	\$ 2,533,864

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, 2018

	Business-type Activities			Building Official	Total Enterprise Funds
	Water	Sewer	Industrial Sewer		
Operating Revenue					
Charge for services	\$ 1,572,100	\$ 1,078,502	\$ 61,827	\$ -	\$ 2,712,429
Total operating revenue	<u>1,572,100</u>	<u>1,078,502</u>	<u>61,827</u>	<u>-</u>	<u>2,712,429</u>
Operating Expenses					
Personnel costs	408,033	334,512	1,081	-	743,626
Maintenance and operations	571,203	617,121	5,404	-	1,193,728
Administrative allocation	170,945	117,625	12,070	-	300,640
Depreciation	105,953	112,536	14,715	-	233,204
Total operating expenditures	<u>1,256,134</u>	<u>1,181,794</u>	<u>33,270</u>	<u>-</u>	<u>2,471,198</u>
Operating Income (Loss)	<u>315,966</u>	<u>(103,292)</u>	<u>28,557</u>	<u>-</u>	<u>241,231</u>
Nonoperating Revenue (Expenses)					
Investment earnings (expense)	8,770	1,872	343	-	10,985
Interest expense	(96,506)	(83,113)	(746)	-	(180,365)
Transfers in (out)	-	-	-	46,712	46,712
Other revenue (expenses)	18,217	13,861	-	-	32,078
Total nonoperating revenue (expenses)	<u>(69,519)</u>	<u>(67,380)</u>	<u>(403)</u>	<u>46,712</u>	<u>(90,590)</u>
Change in Net Position	246,447	(170,672)	28,154	46,712	150,641
Net Position - beginning	1,515,145	688,780	226,010	(46,712)	2,383,223
Net Position - end of year	<u>\$ 1,761,592</u>	<u>\$ 518,108</u>	<u>\$ 254,164</u>	<u>\$ -</u>	<u>\$ 2,533,864</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, 2018

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities			Total
	Water	Sewer	Industrial Sewer	Enterprise Funds
Operating Activities				
Receipts from customers	\$ 1,551,204	\$ 1,071,525	\$ 89,300	\$ 2,712,029
Payments for maintenance and operations	(881,850)	(727,246)	(17,474)	(1,626,570)
Payments for personnel costs	(376,081)	(308,837)	(1,081)	(685,999)
Net cash provided (used)	293,273	35,442	70,745	399,460
Noncapital Financing Activities				
Internal loans	16,138	(133,363)	-	(117,225)
Net cash provided (used)	16,138	(133,363)	-	(117,225)
Capital and Related Financing Activities				
Loan proceeds	208,395	675,238	-	883,633
Principal paid on capital debt	(28,026)	(125,033)	-	(153,059)
Interest paid on capital debt	(96,506)	(83,113)	(746)	(180,365)
Purchase of capital assets	(1,079,651)	(567,954)	-	(1,647,605)
Net cash provided (used)	(995,788)	(100,862)	(746)	(1,097,396)
Investing Activities				
Investment earnings / other	26,988	15,733	343	43,064
Net cash provided (used)	26,988	15,733	343	43,064
Net Increase (Decrease) in Cash	(659,389)	(183,050)	70,342	(772,097)
Cash and Investments - beginning	1,793,932	351,723	73,081	2,218,736
Cash and Investments - end of year	\$ 1,134,543	\$ 168,673	\$ 143,423	\$ 1,446,639
Operating Activities Analysis				
Operating Income (Loss) - page 11	\$ 315,966	\$ (103,292)	\$ 28,557	\$ 241,231
Reconciliation adjustments:				
Depreciation, a noncash expense	105,953	112,536	14,715	233,204
(Increase) decrease in receivables	(20,897)	(6,977)	27,473	(401)
(Increase) decrease in prepaid expenses	12,238	12,662	-	24,900
Increase (decrease) in liabilities	(151,940)	(5,162)	-	(157,102)
Increase (decrease) in personnel accruals	31,953	25,675	-	57,628
Net cash provided (used)	\$ 293,273	\$ 35,442	\$ 70,745	\$ 399,460

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

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 - Defining the Financial Reporting Entity
- Note 2 - Significant Accounting Policies
- Note 3 - Stewardship, Compliance, and Accountability
- Note 4 - Cash and Investments
- Note 5 - Receivables
- Note 6 - Capital Assets
- Note 7 - Commitments and Contingencies
- Note 8 - Long-term Obligations
- Note 9 - Payables
- Note 10 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
- Note 11 - Other Postemployment Benefits Plan
- Note 12 - Risk Management
- Note 13 - Interfund Transactions
- Note 14 - Subsequent Events
- Note 15 - Future Accounting Pronouncements
- Note 16 - Fund Balance Designations Section of the Balance Sheet

CITY OF ORLAND
Notes to Financial Statements
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Note 1 - Defining the Financial 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.

The City participates in a joint powers agency through a formally organized and separate entity agreement. The financial activities of the Golden State Risk Management Authority (GSRMA), a public entity risk pool, are not included in the accompanying financial statements because they are administered by a governing board which is separate from and independent of the City.

Note 2 - Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described as follows:

Financial Statements

The City's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the 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.

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

Fund Accounting

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 City are organized as follows:

Governmental Fund Types

Governmental funds are the funds through which most general government functions typically are financed. The City maintains the following fund types:

- *The General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue 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* 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* 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* 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 City's uses the following proprietary fund type:

Enterprise 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. The water and sewer utilities are reported as enterprise funds.

- *Agency Funds* are used to account for assets administered by the City in a trustee capacity or as an agent for other governments, primarily special assessment districts. Agency Funds are custodial in nature (assets and liabilities), and do not involve measurement of results of operations.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Major Funds

The following are the City's major funds this year:

- *General Fund* - this fund is used to account for the general operations of the City, and is used to account for all financial resources except those required to be accounted for in another fund.
- *Development Impact Fee Fund* - 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.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The government-wide statement of net position and the statement of activities, and both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position, and in the statement of activities, both governmental and business-like activities are presented using the "accrual basis of accounting." Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual basis of accounting." Under this modified accrual basis of accounting, revenue is recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services, and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt in the governmental funds, which is recognized when due.

Proprietary funds use the "accrual basis of accounting" which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise.

CITY OF ORLAND
Notes to Financial Statements
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Budgetary Data

General Budget Policies: the City maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the City Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The City's budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments or capital improvement projects may be re-appropriated for the subsequent fiscal year upon City Council approval.

Budget Basis of Accounting: budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA. The Budgetary Comparison Schedule of the general fund presents comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the City's accounting basis; thus no reconciliation between the two is considered necessary.

Other Accounting Policies

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.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

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 program revenue when received.

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position at cost. 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. 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 treasures, are not considered exhaustible, therefore are not being depreciated.

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 or 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. 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 obligations are reported as liabilities in the applicable column on the statement of net position. For the most part, 75% of compensated absences are generally considered due after one year.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Net Position and Fund Balances

In the Statement of Net Position, the City's net position is classified in the following categories:

- *Net investment in capital assets* - 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 and accrued interest 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.

Pensions

In the government-wide financial statements, retirement plan pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the City's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position, have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

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Notes to Financial Statements
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Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

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 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.

CITY OF ORLAND
Notes to Financial Statements
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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 nonoperating revenue. 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 is 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 nonoperating 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.

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.

Note 3 - 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 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.

Economic Dependence

The City received 81% of its total general fund revenue from three sources; sales taxes (54%), property taxes (15%), and motor vehicle in-lieu state revenue (12%). Any reduction in assessed property values or disruption to the overall economy could affect the City's primary operating fund. 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.

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.

CITY OF ORLAND
Notes to Financial Statements
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Deficit Fund Balances

Due to the City incurring costs in advance of receiving grant awards and reimbursements, revenue which it expects to recover in the future from developer impact fees, and other sources, the following funds incurred deficits in their ending fund balances:

STIP Papst Street	\$	2,049
HCD park grant		27,433
StreetScapes		30,750
		60,232
	\$	60,232

Note 4 - 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 at fiscal year end are classified in the accompanying financial statements as follows:

Statement of Net Position		
Cash and investments	\$	5,691,290
Cash and Investments consist of the following:		
Deposits with financial institutions:		
Checking accounts		1,785,359
Money market mutual funds		2,994,061
Fixed income: certificates of deposit		102,669
Mutual funds: US government obligations, bonds		129,983
Local Agency Investment Fund		679,218
		679,218
	\$	5,691,290

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$4,878,981 and the financial institution's account balances were \$5,143,716. The difference of \$264,735 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$508,111 was insured by the Federal Depository Insurance Corporation (FDIC) and \$4,370,870 was collateralized in accordance with California Government Code Section 53600 – 53609.

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.

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<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

Disclosures Relating to Interest Rate Risk

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Demand deposit - checking	\$ 1,785,359	on demand	n/a	31%
Money market mutual funds	2,994,061	on demand	0.35%	53%
Local Agency Investment Fund	679,218	on demand	1.90%	12%
MetLife Securities:				
certificates of deposit	102,669	2.75 months	4.14%	2%
mutual bond funds	129,983	on demand	2.20%	2%

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 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."

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

CITY OF ORLAND
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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, 2018, PMIA had approximately \$88.8 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at 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 5 - Receivables

Accounts and other receivables as reported in the statement of net position consist of the following:

<u>Governmental Activities:</u>	
Sales taxes	\$ 505,551
Gasoline taxes	97,401
Intergovernmental	36,557
Transient occupancy taxes	16,389
Other	79,801
	\$ 735,699
 <u>Business-type Activities:</u>	
Water utility customers	80,303
Sewer utility customers	44,985
	\$ 125,288

Notes receivable and accrued interest in the amount of \$6,594,030 consist 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, 2018

Note 6 - Capital Assets

Governmental-type Capital Asset Activity for the Year was as Follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 306,681	\$ -	\$ -	\$ 306,681
Construction-in-progress	133,834	-	(133,834)	-
	<u>440,515</u>	<u>-</u>	<u>(133,834)</u>	<u>306,681</u>
<i><u>Depreciable Assets:</u></i>				
Buildings and infrastructure	6,801,506	793,054	-	7,594,560
Vehicles and equipment	2,842,882	290,568	-	3,133,450
	9,644,388	1,083,622	-	10,728,010
<i><u>Accumulated Depreciation</u></i>	<u>(2,569,913)</u>	<u>(360,327)</u>	<u>-</u>	<u>(2,930,240)</u>
Depreciable assets, net	<u>7,074,475</u>	<u>723,295</u>	<u>-</u>	<u>7,797,770</u>
Total capital assets, net	<u>\$ 7,514,990</u>	<u>\$ 723,295</u>	<u>\$ (133,834)</u>	<u>\$ 8,104,451</u>

Business-type Capital Asset Activity for the Year Consists of the Following:

<i>WATER UTILITY FUND</i>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Dispositions</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ -	\$ -	\$ -	\$ -
Construction-in-progress	1,305,680	(1,305,680)	-	-
	<u>1,305,680</u>	<u>(1,305,680)</u>	<u>-</u>	<u>-</u>
<i><u>Depreciable Assets:</u></i>				
System infrastructure, improvements & equipment	2,692,514	2,560,222	(174,889)	5,077,847
<i><u>Accumulated Depreciation</u></i>	<u>(1,605,643)</u>	<u>(105,953)</u>	<u>-</u>	<u>(1,711,596)</u>
Depreciable assets, net	<u>1,086,871</u>	<u>2,454,269</u>	<u>(174,889)</u>	<u>3,366,251</u>
Total capital assets, net	<u>\$ 2,392,551</u>	<u>\$ 1,148,589</u>	<u>\$ (174,889)</u>	<u>\$ 3,366,251</u>

<i>BUILDING OFFICIAL FUND</i>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Transferred to General Fund</u>	<u>Ending Balance</u>
<i><u>Depreciable Assets:</u></i>				
Vehicles and equipment	\$ 16,934	\$ -	\$ (16,934)	\$ -
<i><u>Accumulated Depreciation</u></i>	<u>(9,421)</u>	<u>-</u>	<u>9,421</u>	<u>-</u>
Total capital assets, net	<u>\$ 7,513</u>	<u>\$ -</u>	<u>\$ (7,513)</u>	<u>\$ -</u>

CITY OF ORLAND
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June 30, 2018

<i>SEWER UTILITY FUND</i>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u><i>Non-depreciable Assets:</i></u>				
Land	\$ 8,580	\$ -	\$ -	\$ 8,580
Construction-in-progress	13,039	-	-	13,039
	<u>21,619</u>	<u>-</u>	<u>-</u>	<u>21,619</u>
<u><i>Depreciable Assets:</i></u>				
System infrastructure, improvements & equipment	2,731,822	567,934	(13,019)	3,286,737
<u><i>Accumulated Depreciation</i></u>	<u>(817,548)</u>	<u>(112,536)</u>	<u>-</u>	<u>(930,084)</u>
Depreciable assets, net	<u>1,914,274</u>	<u>455,398</u>	<u>(13,019)</u>	<u>2,356,653</u>
Total capital assets, net	<u>\$ 1,935,893</u>	<u>\$ 455,398</u>	<u>\$ (13,019)</u>	<u>\$ 2,378,272</u>

<i>INDUSTRIAL SEWER UTILITY</i>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u><i>Depreciable Assets:</i></u>				
System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u><i>Accumulated Depreciation</i></u>	<u>(462,988)</u>	<u>(14,715)</u>	<u>-</u>	<u>(477,703)</u>
Total capital assets, net	<u>\$ 125,456</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 110,741</u>

Note 7 - 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 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, 2018, the City was in contract for several funded construction projects, which are expected to be completed in fiscal year 2018-19.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Note 8 - Long-term Obligations

The following summarizes changes in long-term debt and obligations for the year:

<u>GOVERNMENTAL ACTIVITIES</u>	Beginning Balance	Additions	Reductions	End of Year	Due Within One Year
Pension obligation bonds	\$ 1,107,700	\$ -	\$ (293,600)	\$ 814,100	\$ 319,200
Police vehicles loan	-	236,683	(7,032)	229,651	43,360
Land purchase loan	104,857	-	(8,393)	96,464	8,778
Bucket truck loan	79,201	-	(14,337)	64,864	14,940
Aerial Fire engine loan	615,816	-	(119,577)	496,239	60,664
Equipment & trucks loan	489,206	-	(75,591)	413,615	93,580
Solar energy equipment loan	425,268	-	(133,715)	291,553	18,548
Clean energy equipment loan	164,540	-	(2,399)	162,141	9,101
Net pension liability	3,850,020	622,941	-	4,472,961	-
Net OPEB liability	319,219	69,849	-	389,068	-
Compensated absences	250,975	17,141	-	268,116	67,029
Total	<u>\$ 7,406,802</u>	<u>\$ 946,614</u>	<u>\$ (654,644)</u>	<u>\$ 7,698,772</u>	<u>\$ 635,200</u>
 <u>BUSINESS-TYPE ACTIVITIES</u>					
<u>Water Utility Fund</u>					
State loan - water well	\$ 953,051	\$ 101,054	\$ -	\$ 1,054,105	\$ 17,568
Equipment & trucks loan	116,555	-	(18,053)	98,502	22,348
Solar equipment loan	598,525	107,341	-	705,866	44,907
Clean energy equipment loan	684,140	-	(9,973)	674,167	37,844
Net pension liability	576,598	67,609	-	644,207	-
Net OPEB liability	53,221	1,663	-	54,884	-
Compensated absences	71,936	-	(4,645)	67,291	16,823
subtotal	<u>3,054,026</u>	<u>277,667</u>	<u>(32,671)</u>	<u>3,299,022</u>	<u>139,490</u>
 <u>Sewer Utility Fund</u>					
Equipment & trucks loan	127,032	-	(19,180)	107,852	23,744
Solar energy equipment loan	551,273	-	(14,201)	537,072	34,168
Clean energy equipment loan	17,320	-	(252)	17,068	959
Equipment loan "Blue Frogg"	854,101	-	(91,400)	762,701	112,816
Net pension liability	576,599	67,609	-	644,208	-
Net OPEB liability	53,222	1,662	-	54,884	-
Compensated absences	71,936	-	(10,923)	61,013	15,253
subtotal	<u>2,251,483</u>	<u>69,271</u>	<u>(135,956)</u>	<u>2,184,798</u>	<u>186,940</u>
Total	<u>\$ 5,305,509</u>	<u>\$ 346,938</u>	<u>\$ (168,627)</u>	<u>\$ 5,483,820</u>	<u>\$ 326,430</u>

CITY OF ORLAND
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Pension Obligation Bonds

In 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 expense 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. Principal and interest payments are semi-annual. The bonds are secured by a pledge of general fund revenue.

Future bond payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 319,200	\$ 30,403	\$ 349,603
2020	151,300	20,130	171,430
2021	164,200	13,332	177,532
2022	179,400	4,519	183,919
	<u>\$ 814,100</u>	<u>\$ 68,384</u>	<u>\$ 882,484</u>

Police Vehicles Loan

Lease-Purchase agreement dated April 13, 2015 for the purchase of a 2015 Ford F550 truck and bucket attachment for a total price of \$105,481, secured by subject vehicle. Repayment of principal and interest is amortized over 84 months beginning August 1, 2015 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 43,360	\$ 9,818	\$ 53,178
2020	45,432	7,746	53,178
2021	47,596	5,582	53,178
2022	49,870	3,308	53,178
2023	43,393	922	44,315
	<u>\$ 229,651</u>	<u>\$ 27,376</u>	<u>\$ 257,027</u>

Land Purchase Loan

Real estate purchase financing agreement dated March 24, 2016 for the purchase of land, at a cost of \$115,000, secured by subject property. The property is currently being used as a public parking lot. Repayment of principal and interest is amortized over 144 months beginning April 24, 2016 with interest at 3% per annum.

Future payment requirements consist of the following:

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Notes to Financial Statements
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Year Ending June 30,	Principal	Interest	Total
2019	\$ 8,778	\$ 2,645	\$ 11,423
2020	9,045	2,378	11,423
2021	9,320	2,103	11,423
2022	9,604	1,674	11,278
2023	9,896	1,527	11,423
2023-2028	49,821	4,340	54,161
	<u>\$ 96,464</u>	<u>\$ 14,667</u>	<u>\$ 111,131</u>

Bucket Truck Loan

Lease-Purchase agreement dated April 13, 2015 for the purchase of a 2015 Ford F550 truck and bucket attachment for a total price of \$105,481, secured by subject vehicle. Repayment of principal and interest is amortized over 84 months beginning August 1, 2015 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 14,940	\$ 2,304	\$ 17,244
2020	15,528	1,716	17,244
2021	16,188	1,056	17,244
2022	18,208	132	18,340
	<u>\$ 64,864</u>	<u>\$ 5,208</u>	<u>\$ 70,072</u>

Aerial Fire Engine Loan

Lease-Purchase agreement dated March 20, 2016 for the purchase of a 2016 Pierce 107' Aerial Truck for a total price of \$855,757, secured by subject vehicle. Repayment of principal and interest is amortized over 10 years beginning March 10, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 60,664	\$ 16,033	\$ 76,697
2020	64,328	12,369	76,697
2021	66,241	10,456	76,697
2022	68,212	8,485	76,697
2023	70,241	6,456	76,697
2024	72,330	4,367	76,697
2025	94,223	2,216	96,439
	<u>\$ 496,239</u>	<u>\$ 60,382</u>	<u>\$ 556,621</u>

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Notes to Financial Statements
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Equipment and Trucks Loan

Lease-Purchase agreement dated September 27, 2016 for the purchase of trucks, excavator/cats, asphalt equipment, and street sweeper for a total price of \$732,791, secured by subject equipment. Repayment of principal and interest is amortized over 60 months beginning October 1, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 139,672	\$ 21,260	\$ 160,932
2020	144,992	15,940	160,932
2021	150,515	10,417	160,932
2022	156,248	4,684	160,932
2023	28,542	936	29,478
	<u>\$ 619,969</u>	<u>\$ 53,237</u>	<u>\$ 673,206</u>

Solar Energy Equipment Loan

Lease-Purchase agreement dated June 20, 2017 for the purchase and installation of solar energy equipment. Repayment of principal and interest is amortized over 15 years beginning June 1, 2018 with a net effective interest rate of 1.8% per annum after the Clean Renewable Energy Bonds (CREB) Federal subsidy.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 97,623	\$ 61,916	\$ 159,539
2020	98,779	57,902	156,681
2021	99,950	53,840	153,790
2022	101,134	49,730	150,864
2023	102,331	45,572	147,903
2024-2028	530,126	163,731	693,857
2029-2032	504,548	52,122	556,670
	<u>\$ 1,534,491</u>	<u>\$ 484,813</u>	<u>\$ 2,019,304</u>

CITY OF ORLAND
Notes to Financial Statements
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Clean Energy Equipment Loan

Lease-Purchase agreement dated April 1, 2017 for the purchase and installation of energy efficiency upgrades and equipment. Repayment of principal and interest is amortized over 15 years beginning April 1, 2018 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 47,904	\$ 24,908	\$ 72,812
2020	49,332	23,480	72,812
2021	50,803	22,009	72,812
2022	52,318	20,494	72,812
2023	53,878	18,934	72,812
2024-2028	294,473	69,588	364,061
2029-2032	304,668	22,987	327,655
	<u>\$ 853,376</u>	<u>\$ 202,400</u>	<u>\$ 1,055,776</u>

State Water Resources Control Board Loan

State of California construction financing agreement dated March 2015 for construction of a new water well, in an amount not to exceed \$1,160,268, unsecured. Repayment of principal is amortized over 30 years, with a zero interest rate.

Future principal payment requirements consist of the following:

Year Ending June 30,	
2019	\$ 17,568
2020	35,136
2021	35,136
2022	35,136
2023	35,136
2024-2028	175,680
2029-2033	175,680
2034-2038	175,680
2039-2043	175,680
2044-2048	175,680
2049	17,593
	<u>\$ 1,054,105</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Sewer Plant Equipment Loan

Lease-Purchase agreement dated September 1, 2017 for the purchase of sewer pond "Blue Frogg" equipment for a total price of \$854,101, secured by subject equipment. Repayment of principal and interest is amortized over 84 months beginning October 1, 2017 with interest at 3% per annum.

Future payment requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 112,816	\$ 24,402	\$ 137,218
2020	116,697	20,521	137,218
2021	120,712	16,506	137,218
2022	124,862	12,356	137,218
2023	126,992	10,226	137,218
2024-2025	160,622	1,644	162,266
	<u>\$ 762,701</u>	<u>\$ 85,655</u>	<u>\$ 848,356</u>

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, were reported in the statement of net position in the amount of \$268,116 for governmental activities, and \$128,304 for business-type activities.

Note 9 - Payables

Accounts payable, as reported in the statement of net position, are comprised of the following:

Governmental Activities

PG&E	\$ 5,953
Capital projects	62,058
Planning consultants	21,078
Intergovernmental	4,387
Other vendors	40,120
	<u>\$ 133,596</u>

Business-type Activities:

Water utility vendors	\$ 27,178
Sewer utility vendors	9,290
	<u>\$ 36,468</u>

CITY OF ORLAND
Notes to Financial Statements
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Note 10 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Overview of the Pension Plan

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), requires public employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability. Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense.

Summary of Significant Accounting Policies

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Actuarial Valuation Date	June 30, 2016

Plan Description, Benefits Provided and Employees Covered

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website: <https://www.calpers.ca.gov>

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using Membership Data
Investment Rate of Return	7.00%
Post Retirement Benefit Increase	Contract COLA up to 2.75%

Change of Assumptions

In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

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<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Returns Years 11+ (2)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Other	3.00%	3.90%	5.36%
Liquid Assets	2.00%	-0.04%	-0.90%
	<u>100.00%</u>		

- (1) An expected inflation rate of 2.5% used for this period
(2) An expected inflation rate of 3.0% used for this period

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss, as follows:

- Net Difference between projected and actual earnings on pension plan investments: 5 year straight-line amortization.
- All Other Amounts: Straight-line amortization over the expected average remaining service lifetime (EARSLL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized \$852,820 as pension expense. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 37,975
Changes of assumptions	874,127	66,819
Differences between projected and actual investment earnings	194,825	-
Change in employer's proportion	81,996	12,163
Differences between employer's share of contributions	-	139,818
Pension contributions subsequent to the measurement date	493,433	-
Totals	<u><u>\$ 1,644,381</u></u>	<u><u>\$ 256,775</u></u>

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Notes to Financial Statements
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Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense as follows:

<u>Fiscal Year Ending June 30:</u>	
2019	\$ 198,505
2020	508,078
2021	302,598
2022	(115,011)

Net Pension Liability

As of June 30, 2017, the City reported a net pension liability in its Defined Benefit Pension Plan as follows:

Total pension liability	\$ 20,823,383
Fiduciary net position	15,062,007
Net pension liability	5,761,376

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Discount Rate -1%</u>	<u>Current Discount</u>	<u>Discount Rate +1%</u>
	6.15%	Rate 7.15%	8.15%
Net Pension Liability	\$ 8,645,324	\$ 5,761,376	\$ 3,385,396

Note 11 - Other Postemployment Benefits Plan ("OPEB")

Plan Description and Eligibility

Upon completion of twenty years of City of Orland service, and upon retiring from City service, Non-safety employees who were regular full-time employees as of July 1, 2013, shall be eligible to receive a contribution of 1% for each year of City service applied toward the cost of the employee-only medical insurance premium if the employee is covered by employee-only insurance at the time of retirement, or applied to the cost of the employee-plus-one-dependent premium if the employee and his or her dependent are covered by the City's medical insurance at the time of retirement.

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. There were six retirees when the City had CalPERS medical insurance which guaranteed a monthly benefit of \$108 for life.

The obligation of the City to provide these benefits is determined by agreements with the various employee bargaining groups.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	34
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>40</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial methods and assumptions:

Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
Valuation Date	June 30, 2018
Fiscal Year End	June 30, 2018
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal Cost, Level of Percent of Pay
Amortization Method	Straight-line amortization
Discount Rate	3.13% at June 30, 2017
General Inflation	2.75% per annum
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
Salary increases	3.25% annual increases
Assumed Wage Inflation	3.0% per year, a component of assumed salary increases
Participation Rate	100% for employees that qualify for subsidized coverage 30% for employees that do not qualify for subsidized coverage
Spouse Coverage	Eligible for subsidy – 50% Ineligible for subsidy – 25%
Healthcare Trend Rate	5.00% to 7.80% over a 12 year period
Morbidity Factors	Derived using CalPERS membership 2013 study

Discount Rate

Valuation results were computed at a 3.13% discount rate, which the Actuary has determined is a reasonable long-term assumption of the City's expected return on its investments.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

Total OPEB Liability	\$ 498,946
Fiduciary Net Position	-
Net OPEB Liability	\$ 498,946

	Discount Rate -1%	Current Discount	Discount Rate +1%
	2.13%	Rate 3.13%	4.13%
Net OPEB Liability	\$555,551	\$498,946	\$449,992

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability calculated using the Healthcare Cost Trend discount rate assumed to start at 7.5% (effective January 1, 2019) and down grade to 5% for years 2024 and thereafter:

	Current Trend	Healthcare Cost	Current Trend
	less 1%	Trend Rate	plus 1%
Net OPEB Liability	\$431,197	\$498,946	\$608,970

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Contributions

The contribution requirements of plan members and the City is established and may be amended by the City's Management or the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2018, contributions were made totaling \$17,172 (excluding \$11,502 of implicit rate subsidy contributions).

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, OPEB expense in the amount of \$66,159 is included in the accompanying statement of activities.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 28,674	\$ -
Differences between projected and actual experience	-	-
Changes of assumptions	-	21,659
Net difference between projected and actual earnings of OPEB Plan investments	-	-
Totals	\$ 28,674	\$ 21,659

Deferred outflows of resources in the amount of \$28,674 are contributions made subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30:</u>	
2019	\$ (2,791)
2020	(2,791)
2021	(2,791)
2022	(2,791)
2023	(2,791)
thereafter	(7,704)
	\$ (21,659)

Note 12 - 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.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Note 13 - 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, except as noted below.

<u>Due from Other Funds / Receivables</u>	
General fund	\$ 158,171
Water fund	435,341
	<u>\$ 593,512</u>
 <u>Due to Other Funds / Payables</u>	
General fund	\$ 435,319
Water fund	54,799
Nonmajor grant funds	103,394
	<u>\$ 593,512</u>

In 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.

In 2017, the City closed its Enterprise Fund - Building Department and transferred those assets, liabilities, and operations to the general fund.

Note 14 - Subsequent Events

The management of the City has reviewed the results of operations for the period from its year end June 30, 2018 through January 11, 2019, 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 15 - Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at <http://www.gasb.org>.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

CITY OF ORLAND
Notes to Financial Statements
June 30, 2018

Note 16 - Fund Balance Designations Section of the Balance Sheet

Fund Balances	General Fund	Development Impact Fees Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
DIF capital expenditures	-	1,859,028	-	1,859,028
CA BSCC grant	-	-	5,545	5,545
Gas tax - streets/sidewalks	-	-	23,447	23,447
Transportation tax - streets	-	-	10,332	10,332
SB 1 - streets and infrastructure	-	-	45,800	45,800
Assessment Districts maintenance	-	-	509,486	509,486
Library book/capital projects	-	-	118,195	118,195
Public safety grant funded expenditures	-	-	161,029	161,029
CDBG - program reuse funds	-	-	567,617	567,617
Total restricted fund balances	<u>-</u>	<u>1,859,028</u>	<u>1,441,451</u>	<u>3,300,479</u>
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:				
General Fund reserves	350,933	-	-	350,933
Measure A Public Safety	735,328	-	-	735,328
Community Center	-	-	1,321	1,321
Downtown signs	-	-	2,407	2,407
Arts Commission	-	-	52,659	52,659
Nomlaki Donation	-	-	629	629
Safety program	-	-	47,154	47,154
Total assigned fund balances	<u>1,086,261</u>	<u>-</u>	<u>104,170</u>	<u>1,190,431</u>
Unassigned	<u>-</u>	<u>-</u>	<u>(60,232)</u>	<u>(60,232)</u>
Total Fund Balances	<u>\$ 1,086,261</u>	<u>\$ 1,859,028</u>	<u>\$ 1,485,389</u>	<u>\$ 4,430,678</u>

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

CITY OF ORLAND
Required Supplementary Information (unaudited)
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2018

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the City's share of both cost-sharing plan assets (the miscellaneous and safety plans) offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the City's share of both cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the applicable miscellaneous or safety pension plan.

Schedule of Contributions

The employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

CITY OF ORLAND
Required Supplementary Information (unaudited)
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 4 Fiscal Years

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

Measurement Date - Fiscal Year Ending:	2017	2016	2015	2014
City's proportion of the net pension liability	0.0581%	0.0578%	0.0571%	0.0510%
City's proportionate share of the net pension liability	\$ 5,761,376	\$ 5,003,217	\$ 3,918,696	\$ 3,151,345
City's covered-employee payroll *	\$ 1,984,314	\$ 1,740,811	\$ 1,851,123	\$ 1,798,556
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290%	287%	212%	175%
Plan fiduciary net position as a percentage of the total pension liability	74%	74%	78%	82%

* for the fiscal year ending on the measurement date

Schedule of the City's Contributions

Fiscal Year Ending June 30:	2018	2017	2016	2015
Contractually required employer contribution	\$ 493,433	\$ 467,307	\$ 413,224	\$ 294,491
Contributions in relation to the contractually required employer contribution	493,433	467,497	413,224	294,491
Contribution (excess) deficiency	\$ -	\$ (190)	\$ -	\$ -
City's covered-employee payroll **	\$ 1,970,481	\$ 1,984,314	\$ 1,740,811	\$ 1,851,123
Contributions as a percentage of covered-employee payroll	25%	24%	24%	16%

** for the fiscal year ending on the date shown

CITY OF ORLAND
Required Supplementary Information (unaudited)
Other Postemployment Benefits Plan
As of June 30, 2018

Schedule of Changes in Net OPEB Liability and Related Ratios

For Reporting at Fiscal Year Ended June 30:	2018
Measurement Date - Fiscal Year Ending June 30:	2017
<hr/>	
Total OPEB Liability	
Service cost	\$ 28,234
Interest on the total OPEB liability	13,904
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(24,450)
Contribution from the employer	-
Benefit payments	(18,593)
Net Change in Total OPEB Liability	(905)
Total OPEB Liability - beginning	499,851
Total OPEB Liability - ending (a)	<u>\$ 498,946</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 18,593
Net investment income	-
Benefit payments	(18,593)
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	<u>\$ -</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 498,946</u>
Fiduciary Net Position as a % of Total OPEB Liability	0.00%
Covered-employee payroll	\$ 2,210,307
Net OPEB liability as a percentage of covered-employee payroll	22.57%

CITY OF ORLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule
Year Ended June 30, 2018

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 00
Year Ended June 30, 2018

<i>Resources (Inflows)</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Property taxes	\$ 930,000	\$ 930,000	\$ 838,616	\$ (91,384)
Sales taxes	1,895,000	1,895,000	1,980,671	85,671
Motor vehicle in-lieu	590,000	590,000	658,525	68,525
Franchise taxes	120,000	120,000	139,534	19,534
Transient occupancy taxes	60,000	60,000	66,218	6,218
Business licenses	21,000	21,000	21,182	182
Fees, fines and forfeitures	45,000	45,000	32,776	(12,224)
Glenn County Library support	64,800	64,800	65,680	880
City of Willows Library support	-	-	73,312	73,312
Real property transfer tax	18,000	18,000	17,873	(127)
HOPTR	8,500	8,500	8,154	(346)
Charge for services	326,000	326,000	227,587	(98,413)
Use of money and property	52,000	52,000	57,676	5,676
Administrative allocation	260,000	260,000	301,390	41,390
Other revenue	8,000	8,000	8,196	196
Proceeds from new financing	-	-	-	-
Amounts Available for Appropriation	<u>4,398,300</u>	<u>4,398,300</u>	<u>4,497,390</u>	<u>99,090</u>
<i>Charges to Appropriations (Outflows)</i>				
5010 City Council	87,950	87,950	73,363	14,587
5050 City Manager	227,704	227,704	218,841	8,863
5020 City Clerk	122,072	122,072	116,601	5,471
5030 City Finance	239,047	239,047	150,399	88,648
5040 City Attorney	56,400	56,400	47,752	8,648
5070 City Building Inspection	206,758	206,758	76,931	129,827
5090 Public works	-	-	22,229	(22,229)
5060 City Planning	113,650	113,650	140,834	(27,184)
5110 City Police dept.	2,011,478	2,011,478	2,000,691	10,787
5120 City Fire dept.	115,050	115,050	151,474	(36,424)
5160 City Engineer	57,500	57,500	63,522	(6,022)
5170 Streets and storm drains	84,404	84,404	90,140	(5,736)
Vehicle Fleet maintenance	-	-	86,495	(86,495)
5190 Facilities maintenance	82,910	82,910	390,572	(307,662)
5200 City Library	392,222	392,222	429,465	(37,243)
5250 City Parks Maintenance	168,843	168,843	145,887	22,956
5260 City Recreation dept.	320,324	320,324	331,880	(11,556)
5261 City Pool maintenance	-	-	66,131	(66,131)
General City debt service	-	-	262,005	(262,005)
Other expenditures (credits)	-	-	(5,100)	5,100
Transfer out - close Bld Fd	-	-	46,712	(46,712)
Total Charges to Appropriations	<u>4,286,312</u>	<u>4,286,312</u>	<u>4,906,824</u>	<u>(620,512)</u>
<i>Excess (Deficit)</i>	<u>\$ 111,988</u>	<u>\$ 111,988</u>	<u>\$ (409,434)</u>	<u>\$ (521,422)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Gasoline	Transportation	STIP	RMBA	Assessment	Community	CA BSCC	HCD Park	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	
	Tax	Tax	Papst	SB 1	Districts	Center	Grant	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Department	& Block	Totals
ASSETS																	
Cash & investments	\$ -	\$ 10,332	\$ -	\$ 29,243	\$ 508,536	\$ 1,321	\$ 5,545	\$ -	\$ 2,407	\$ 52,659	\$ 629	\$ 6	\$ 47,154	\$ 118,195	\$ 161,029	\$ 567,617	\$ 1,504,673
Receivables	97,401	-	-	16,557	950	-	-	-	-	-	-	-	-	-	-	-	114,908
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,578	532,578
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,061,452	6,061,452
Total Assets	<u>\$ 97,401</u>	<u>\$ 10,332</u>	<u>\$ -</u>	<u>\$ 45,800</u>	<u>\$ 509,486</u>	<u>\$ 1,321</u>	<u>\$ 5,545</u>	<u>\$ -</u>	<u>\$ 2,407</u>	<u>\$ 52,659</u>	<u>\$ 629</u>	<u>\$ 6</u>	<u>\$ 47,154</u>	<u>\$ 118,195</u>	<u>\$ 161,029</u>	<u>\$ 7,161,647</u>	<u>\$ 8,213,611</u>
LIABILITIES																	
Payables	\$ 9,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,798
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,594,030	6,594,030
Internal loans GF	64,759	-	2,049	-	-	-	-	5,830	-	-	-	30,756	-	-	-	-	103,394
Total Liabilities	<u>73,954</u>	<u>-</u>	<u>2,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,594,030</u>	<u>6,728,222</u>
FUND BALANCES																	
Restricted	23,447	10,332	-	45,800	509,486	-	5,545	-	-	-	-	-	-	118,195	161,029	567,617	1,441,451
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	1,321	-	-	2,407	52,659	629	-	47,154	-	-	-	104,170
Unassigned	-	-	(2,049)	-	-	-	-	(27,433)	-	-	-	(30,750)	-	-	-	-	(60,232)
Totals	<u>23,447</u>	<u>10,332</u>	<u>(2,049)</u>	<u>45,800</u>	<u>509,486</u>	<u>1,321</u>	<u>5,545</u>	<u>(27,433)</u>	<u>2,407</u>	<u>52,659</u>	<u>629</u>	<u>(30,750)</u>	<u>47,154</u>	<u>118,195</u>	<u>161,029</u>	<u>567,617</u>	<u>1,485,389</u>
Total Liabilities and																	
Fund Balances	<u>\$ 97,401</u>	<u>\$ 10,332</u>	<u>\$ -</u>	<u>\$ 45,800</u>	<u>\$ 509,486</u>	<u>\$ 1,321</u>	<u>\$ 5,545</u>	<u>\$ -</u>	<u>\$ 2,407</u>	<u>\$ 52,659</u>	<u>\$ 629</u>	<u>\$ 6</u>	<u>\$ 47,154</u>	<u>\$ 118,195</u>	<u>\$ 161,029</u>	<u>\$ 7,161,647</u>	<u>\$ 8,213,611</u>

CITY OF ORLAND
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Change in Fund Balances
Year Ended June 30, 2018

	Gasoline	Transportation	STIP	RMBA	Assessment	Community	CA BSCC	HCD Park	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	Totals
REVENUE	Tax	Tax	Papst	SB 1	Districts	Center	Grant	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Grants	Grants	
Intergovernmental revenue	\$ 249,652	\$ -	\$ -	\$ 45,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,391	\$ -	\$ 427,818
Charge for services	-	-	-	-	45,953	-	-	-	-	-	-	-	-	35,799	-	-	81,752
Investment earnings	153	36	-	25	1,562	4	17	-	7	235	2	-	103	340	398	1,574	4,456
Other revenue	3,601	-	-	-	-	-	-	-	1,000	-	-	33,700	32,504	-	16,204	295,169	382,178
Total Revenue	253,406	36	-	45,800	47,515	4	17	-	1,007	235	2	33,700	32,607	36,139	148,993	296,743	896,204
EXPENDITURES																	
Current -																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	27,433	102	35,750	-	36,932	-	-	-	45,618	145,835
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,699	-	75,699
Public works and streets	347,294	-	267	-	-	-	-	-	-	-	-	-	-	-	-	-	347,561
Library and Arts	-	-	-	-	-	-	-	-	-	-	-	-	-	19,334	-	-	19,334
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	58,798	-	-	-	-	-	-	-	-	-	-	-	58,798
Total Expenditures	347,294	-	267	-	58,798	-	-	27,433	102	35,750	-	36,932	-	19,334	75,699	45,618	647,227
Revenue over (under)																	
Expenditures	(93,888)	36	(267)	45,800	(11,283)	4	17	(27,433)	905	(35,515)	2	(3,232)	32,607	16,805	73,294	251,125	248,977
Transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN FUND																	
BALANCES	(93,888)	36	(267)	45,800	(11,283)	4	17	(27,433)	905	(35,515)	2	(3,232)	32,607	16,805	73,294	251,125	248,977
Fund balance - beginning	117,335	10,296	(1,782)	-	520,769	1,317	5,528	-	1,502	88,174	627	(27,518)	14,547	101,390	87,735	316,492	1,236,412
Fund balance - end of year	\$ 23,447	\$ 10,332	\$ (2,049)	\$ 45,800	\$ 509,486	\$ 1,321	\$ 5,545	\$ (27,433)	\$ 2,407	\$ 52,659	\$ 629	\$ (30,750)	\$ 47,154	\$ 118,195	\$ 161,029	\$ 567,617	\$ 1,485,389

OTHER REPORT

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Post Office Box 60127 / Sacramento, California 95860

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 the City of Orland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Orland's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcello & Company

Certified Public Accountants
Sacramento, California
November 30, 2018