

CITY OF ORLAND

California

Annual Financial Report June 30, 2013

Elected Officials

City Council

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

City Clerk

Angela Crook

City Treasurer

Pam Otterson

Appointed Officials

City Manager

Peter R. Carr

Finance Director

Daryl Brock, CPA

CITY OF ORLAND

Table of Contents

INDEPENDENT AUDITOR'S REPORT	2-3
 BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	4
Statement of Activities	5
<u>Fund Financial Statements</u>	
Governmental Funds:	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Change in Fund Balances	8
Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds:	
Statement of Net Position	10
Statement of Revenue, Expenses, and Change in Net Position	11
Statement of Cash Flows	12
 NOTES TO FINANCIAL STATEMENTS	 13-33
 REQUIRED SUPPLEMENTARY INFORMATION	
Note to Budgetary Comparison Schedule	34
Budgetary Comparison Information - General Fund	35
Fund Balance Designations Section of the Balance Sheet	36
Defined Benefit Pension Plan Funded Status	37
Retiree Healthcare Plan Funded Status	38
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	39
Combining Statement of Revenue, Expenditures, and Change in Fund Balances - Nonmajor Governmental Funds	40

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

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, 2013, 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 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 upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on the Supplemental Information

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

Other Matters

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 fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marcello & Company

Certified Public Accountants
Sacramento, California
December 6, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ORLAND
Government-wide Financial Statements
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,295,475	\$ 69,752	\$ 3,365,227
Receivables	596,910	89,099	686,009
Internal balances	(192,301)	192,301	-
Prepaid expenses	44,069	92,843	136,912
Notes receivable	5,398,688	-	5,398,688
Capital assets not being depreciated	181,286	8,580	189,866
Capital assets, net of depreciation	4,081,742	2,189,171	6,270,913
Total Assets	<u>13,405,869</u>	<u>2,641,746</u>	<u>16,047,615</u>
Liabilities			
Payables	111,049	24,890	135,939
Deposits	26,914	6,818	33,732
Deferred revenue	135	-	135
Noncurrent liabilities:			
Due within one year	191,000	14,746	205,746
Due in more than one year	1,874,400	-	1,874,400
Compensated absences	164,991	88,898	253,889
Obligation for postemployment benefits	353,109	-	353,109
Total Liabilities	<u>2,721,598</u>	<u>135,352</u>	<u>2,856,950</u>
Net Position			
Invested in capital assets, net of related debt	4,263,028	2,183,005	6,446,033
Restricted	782,069	-	782,069
Unrestricted	5,639,174	323,389	5,962,563
Total Net Position	<u>\$ 10,684,271</u>	<u>\$ 2,506,394</u>	<u>\$ 13,190,665</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, 2013

Functions/Programs	Operating Expenses			Program Revenue			Primary Government		
	Operating Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Net (Expense) Revenue and Change in Net Position	
								Governmental Activities	Business-type Activities
Governmental Activities									
General government	\$ 510,110	\$ 110,348	\$ -	\$ -	\$ (399,762)	\$ -	\$ (399,762)		\$ (399,762)
Community development	471,255	256,852	9,455	-	(204,948)	-	(204,948)		(204,948)
Public safety	1,968,416	-	209,074	-	(1,759,342)	-	(1,759,342)		(1,759,342)
Public works and streets	462,712	50,292	268,292	-	(144,128)	-	(144,128)		(144,128)
Library and arts	283,057	32,779	60,299	-	(189,979)	-	(189,979)		(189,979)
Parks and recreation	331,292	-	-	-	(331,292)	-	(331,292)		(331,292)
Depreciation expense	222,090	-	-	-	(222,090)	-	(222,090)		(222,090)
Total governmental activities	<u>4,248,932</u>	<u>450,271</u>	<u>547,120</u>	<u>-</u>	<u>(3,251,541)</u>	<u>-</u>	<u>(3,251,541)</u>		<u>(3,251,541)</u>
Business-type Activities									
Water	932,234	882,152	-	-	-	\$ (50,082)	(50,082)		(50,082)
Sewer	618,387	619,894	-	-	-	1,507	1,507		1,507
Industrial sewer	69,190	59,611	-	-	-	(9,579)	(9,579)		(9,579)
Building inspection	115,193	124,723	-	-	-	9,530	9,530		9,530
Total business-type activities	<u>1,735,004</u>	<u>1,686,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,624)</u>	<u>(48,624)</u>		<u>(48,624)</u>
Total primary government	<u>\$ 5,983,936</u>	<u>\$ 2,136,651</u>	<u>\$ 547,120</u>	<u>\$ -</u>	<u>(3,251,541)</u>	<u>(48,624)</u>	<u>(3,300,165)</u>		<u>(3,300,165)</u>
General Revenue									
Property taxes					892,332	-	892,332		892,332
Sales tax					984,801	-	984,801		984,801
Franchise and TOT					156,750	-	156,750		156,750
Motor vehicle in-lieu					548,564	-	548,564		548,564
Licenses, fees & fines					65,832	-	65,832		65,832
Use of money					51,966	-	51,966		51,966
Other revenue					390,336	-	390,336		390,336
Total general revenue					<u>3,090,581</u>	<u>-</u>	<u>3,090,581</u>		<u>3,090,581</u>
Change in Net Position					<u>(160,960)</u>	<u>(48,624)</u>	<u>(209,584)</u>		<u>(209,584)</u>
Net Position - beginning					10,845,231		2,555,018		13,400,249
Net Position - end of year					<u>\$ 10,684,271</u>	<u>\$ 2,506,394</u>	<u>\$ 13,190,665</u>		<u>\$ 13,190,665</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

CITY OF ORLAND
Balance Sheet
Governmental Funds
June 30, 2013

	General		Development		07-HOME-3902		04-HOME-4876		Other		Totals
	Fund		Impact Fees	Housing Grant	Housing Grant		Funds				
Assets											
Cash and investments	\$ 497,606		\$ 1,666,076	\$ -	\$ -		\$ 1,131,793		\$ 3,295,475		
Receivables	351,379		-	-	-		245,532		596,911		
Internal loans	352,126		-	-	-		-		352,126		
Prepaid expenses	44,069		-	-	-		-		44,069		
Notes receivable	-		-	1,900,000	-		1,998,688		5,398,688		
Total assets	<u>\$ 1,245,180</u>		<u>\$ 1,666,076</u>	<u>\$ 1,900,000</u>	<u>\$ 1,500,000</u>		<u>\$ 3,376,013</u>		<u>\$ 9,687,269</u>		
Liabilities											
Payables	\$ 44,682		\$ 41,519	-	-		\$ 24,848		\$ 111,049		
Deposits	26,914		-	-	-		-		26,914		
Deferred revenue	-		-	1,900,000	1,500,000		1,998,823		5,398,823		
Internal loans	476,315		-	-	-		68,113		544,428		
Total liabilities	<u>547,911</u>		<u>41,519</u>	<u>1,900,000</u>	<u>1,500,000</u>		<u>2,091,784</u>		<u>6,081,214</u>		
Fund Balances											
Nonspendable	-		-	-	-		-		-		
Restricted	-		-	-	-		782,069		782,069		
Committed	122,492		1,624,557	-	-		106,143		1,853,192		
Assigned	87,000		-	-	-		24,667		111,667		
Unassigned	487,777		-	-	-		371,350		859,127		
Total fund balances	<u>697,269</u>		<u>1,624,557</u>	<u>-</u>	<u>-</u>		<u>1,284,229</u>		<u>3,606,055</u>		
Total liabilities and fund balances	<u>\$ 1,245,180</u>		<u>\$ 1,666,076</u>	<u>\$ 1,900,000</u>	<u>\$ 1,500,000</u>		<u>\$ 3,376,013</u>		<u>\$ 9,687,269</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, 2013**

Total Fund Balances - Governmental Funds (page 6)

\$ 3,606,055

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

Capital Assets

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

4,263,028

Deferred Revenue

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

5,398,688

Long-term Obligations

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

- Pension obligation bonds (2,065,400)
- Other postemployment medical benefits (353,109)
- Compensated absences (164,991)

Total Net Position - Governmental Activities (page 4)

\$ 10,684,271

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, 2013

	General Fund	Development Impact Fees	07-HOME-3902 Housing Grant	04-HOME-4876 Housing Grant	Other Governmental Funds	Totals
Revenue						
Taxes and assessments	\$ 2,033,883	\$ -	\$ -	\$ -	\$ -	\$ 2,033,883
Licenses, fees and fines	65,832	-	-	-	-	65,832
Intergovernmental	631,642	-	-	-	486,821	1,118,463
Charge for services	110,348	256,852	-	-	83,071	450,271
Use of money and property	51,746	-	-	-	220	51,966
Other revenue	213,969	-	-	-	151,544	365,513
Total revenue	<u>3,107,420</u>	<u>256,852</u>	<u>-</u>	<u>-</u>	<u>721,656</u>	<u>4,085,928</u>
Expenditures						
Current:						
General government	447,627	-	-	-	35,326	482,953
Community development	129,373	285,061	-	-	14,002	428,436
Public safety	1,751,539	-	-	-	213,634	1,965,173
Public works and streets	145,960	-	-	-	305,060	451,020
Library and Arts	234,705	-	-	-	67,628	302,333
Parks and recreation	338,387	-	-	-	-	338,387
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,047,591</u>	<u>285,061</u>	<u>-</u>	<u>-</u>	<u>635,650</u>	<u>3,968,302</u>
Revenue over (under) Expenditures	59,829	(28,209)	-	-	86,006	117,626
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	35,976	35,976
Transfers in (out)	-	-	-	-	(35,976)	(35,976)
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balances	59,829	(28,209)	-	-	86,006	117,626
Fund Balances - beginning	637,440	1,652,766	-	-	1,198,223	3,488,429
Fund Balances - end of year	<u>\$ 697,269</u>	<u>\$ 1,624,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,284,229</u>	<u>\$ 3,606,055</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Net Position
June 30, 2013

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Assets					
Current assets:					
Cash and investments	\$ 19,763	\$ (9,993)	\$ 59,982	\$ -	\$ 69,752
Receivables	51,247	24,262	13,590	-	89,099
Internal loans	476,315	-	-	-	476,315
Prepaid expenses	61,187	31,656	-	-	92,843
Total current assets	608,512	45,925	73,572	-	728,009
Noncurrent assets:					
Capital assets not being depreciated	-	8,580	-	-	8,580
Capital assets, net of depreciation	1,045,026	949,785	184,316	10,044	2,189,171
Total noncurrent assets	1,045,026	958,365	184,316	10,044	2,197,751
Total assets	1,653,538	1,004,290	257,888	10,044	2,925,760
Liabilities					
Current liabilities:					
Payables	24,507	-	-	383	24,890
Customer deposits	6,044	-	774	-	6,818
Internal loans	-	19,981	-	264,033	284,014
Total current liabilities	30,551	19,981	774	264,416	315,722
Noncurrent liabilities:					
Due within one year	9,831	4,915	-	-	14,746
Compensated absences	42,822	38,540	4,282	3,254	88,898
Total noncurrent liabilities	52,653	43,455	4,282	3,254	103,644
Total liabilities	83,204	63,436	5,056	267,670	419,366
Net Position					
Investment in capital assets, net of related debt	1,035,195	953,450	184,316	10,044	2,183,005
Unrestricted	535,139	(12,596)	68,516	(267,670)	323,389
Total net position	\$ 1,570,334	\$ 940,854	\$ 252,832	\$ (257,626)	\$ 2,506,394

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, 2013

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Operating Revenue					
Charge for services	\$ 882,152	\$ 619,894	\$ 59,611	\$ 124,723	\$ 1,686,380
Total operating revenue	<u>882,152</u>	<u>619,894</u>	<u>59,611</u>	<u>124,723</u>	<u>1,686,380</u>
Operating Expenses					
Personnel costs	417,464	363,530	39,164	78,879	899,037
Maintenance and operations	372,547	141,153	7,341	19,660	540,701
Administrative allocation	93,662	73,905	7,970	16,654	192,191
Depreciation	47,228	39,134	14,715	-	101,077
Total operating expenditures	<u>930,901</u>	<u>617,722</u>	<u>69,190</u>	<u>115,193</u>	<u>1,733,006</u>
Operating Income (Loss)	<u>(48,749)</u>	<u>2,172</u>	<u>(9,579)</u>	<u>9,530</u>	<u>(46,626)</u>
Nonoperating Revenue (Expenses)					
Investment earnings (expense)	(1,333)	(665)	-	-	(1,998)
Total nonoperating revenue (expenses)	<u>(1,333)</u>	<u>(665)</u>	<u>-</u>	<u>-</u>	<u>(1,998)</u>
Change in Net Position					
Net Position - beginning	(50,082)	1,507	(9,579)	9,530	(48,624)
Net Position - end of year	<u>1,620,416</u>	<u>939,347</u>	<u>262,411</u>	<u>(267,156)</u>	<u>2,555,018</u>
	<u>\$ 1,570,334</u>	<u>\$ 940,854</u>	<u>\$ 252,832</u>	<u>\$ (257,626)</u>	<u>\$ 2,506,394</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, 2013

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Operating Activities					
Receipts from customers	\$ 882,020	\$ 621,036	\$ 46,021	\$ 124,723	\$ 1,673,800
Payments to suppliers	(409,945)	(363,530)	(12,220)	(31,485)	(817,180)
Payments to employees	(417,464)	(187,541)	(39,164)	(78,879)	(723,048)
Net cash provided (used)	54,611	69,965	(5,363)	14,359	133,572
Noncapital Financing Activities					
Internal loan proceeds (repayments)	-	(63,843)	-	(14,359)	(78,202)
Transfers in (out)	-	-	-	-	-
Net cash provided (used)	-	(63,843)	-	(14,359)	(78,202)
Capital and Related Financing Activities					
Repayment of loan obligations	(30,868)	(15,434)	-	-	(46,302)
Interest paid on debt obligations	(1,333)	(665)	-	-	(1,998)
Purchase of capital assets	(94,025)	-	-	-	(94,025)
Net cash provided (used)	(126,226)	(16,099)	-	-	(142,325)
Net Increase (Decrease) in Cash	(71,615)	(9,977)	(5,363)	-	(86,955)
Cash and Investments - beginning	91,378	(16)	65,345	-	156,707
Cash and Investments - end of year	\$ 19,763	\$ (9,993)	\$ 59,982	\$ -	\$ 69,752
Operating Activities Analysis					
Operating Income (Loss) - page 11	\$ (48,749)	\$ 2,172	\$ (9,579)	\$ 9,530	\$ (46,626)
Reconciliation adjustments:					
Depreciation, a noncash expense	47,228	39,134	14,715	-	101,077
(Increase) decrease in receivables	(5,094)	1,142	(13,590)	-	(17,542)
(Increase) decrease in prepaid expenses	27,148	23,539	2,460	5,079	58,226
Increase (decrease) in payables/deposits	34,078	3,978	631	(250)	38,437
Net cash provided (used)	\$ 54,611	\$ 69,965	\$ (5,363)	\$ 14,359	\$ 133,572

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

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

Note 1 - Summary of Significant Accounting Policies

Note 2 - Stewardship, Compliance, and Accountability

Note 3 - Cash and Investments

Note 4 - Contingent Liabilities

Note 5 - Receivables

Note 6 - Capital Assets

Note 7 - Long-term Obligations

Note 8 - Interfund Transactions

Note 9 - Defined Benefit Pension Plan

Note 10 - Retiree Healthcare Plan

Note 11 - Risk Management

Note 12 - Subsequent Events

Note 13 - New Pronouncements

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Defining the Reporting Entity

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

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

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

Orland Volunteer Fire Department

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

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

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 below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 is effective in three phases based on the public institution's total annual revenue in the fiscal year ending after June 15, 1999. The City adopted the provisions of this statement along with GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus (an amendment to GASB Statements No. 21 and No. 34)*, as of July 1, 2003. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, to reevaluate certain existing disclosure requirements in the context of reporting model Statement No. 34. The City adopted the provisions of Statement No. 38 as of July 1, 2003.

The Financial Statement presentation, required by GASB Statements No. 34, 37, and 38 provides a comprehensive, entity-wide perspective of the City's assets, liabilities, and replaces the fund-group perspective previously required. The City follows the "primary government's governmental activities" reporting requirements of GASB No. 34 that provides a comprehensive one-line look at the City's financial activities.

Government-wide Financial Statements

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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 contributors that are restricted to meeting the operational or capital requirements of a particular function or segment taxes, and other items not properly included among program revenue, are reported instead as general revenue.

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

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

General Fund - this fund accounts for all unrestricted resources except those required to be accounted for in another fund, and is the main operating fund of the City.

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of, general long-term debt obligation payments for principal, interest and related costs.

Capital Projects Fund - these funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or projects.

Proprietary Fund Types - Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Funds included in this category are as follows:

Enterprise Funds - these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Water, sewer, industrial sewer, and building inspection services are reported as enterprise funds.

Internal Service Funds - these funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, and to other government units on a cost reimbursement basis.

Fiduciary Fund Types - Fiduciary funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. Funds included in this category are as follows:

Expendable Trust Funds - these funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Agency Funds - these funds account for assets held by the City as trustee or agent for individuals, private organizations, assessment districts, or other governmental units and/or other funds.

The Major Funds are as follows:

General Fund - this fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Development Impact Fees - this fund is used to account for fees collected from builders and real estate developers for the impact of creating additional burdens and charges to various city departments for additional police, fire, parks, recreation, public works, streets, and administrative services as an end result of their projects.

Housing Grant Funds - these funds are used to account for housing and capital improvement programs that are grant funded.

Basis of Accounting and Measurement Focus

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

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

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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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

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

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

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.

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).

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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 Doubtful Accounts

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

Prepaid Expenses

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

Notes Receivable - Economic and Community Development Loans

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

Capital Assets

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

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their historic cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 5 to 20 years for equipment, machinery and vehicles, and 20 to 50 years for buildings, improvements, and infrastructure. Land, art and 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.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Compensated Absences

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

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

Long-term Obligations

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

Net Position and Fund Balances

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

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

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

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

Property Tax Revenue

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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (concluded)

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.

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.

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

1. The City Manager submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at normally scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability (continued)

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

Revenue Limitations Imposed By California Proposition 218

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

Economic Dependence

In fiscal year 2012-13, the City received 75% of its total general fund revenue from three sources; sales taxes, property taxes, and motor vehicle in-lieu state revenue. Any reduction in assessed property values or disruption to the overall economy could cause consequences to the City's main operating budget. In the event of such a downturn, the City may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level.

Note 3 - Cash and Investments

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

Statement of Net Position	
Cash and investments	<u>\$ 3,365,227</u>
Cash and Investments consist of the following:	
Deposits with financial institutions:	
Checking accounts	\$ 557,435
Money market mutual funds	1,878,904
Fixed income: certificates of deposit	668,056
Mutual funds: US government obligations	151,858
Mutual fund: MFS bond fund	103,499
Investment with Local Agency Investment Fund	<u>5,475</u>
	<u>\$ 3,365,227</u>

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$3,103,480 and the financial institution's account balances were \$3,224,068. The difference of \$120,588 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$1,026,017 was insured by the Federal Depository Insurance Corporation (FDIC) and \$2,077,463 was collateralized in accordance with California Government Code Section 53600 – 53609.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 3 - Cash and Investments (continued)

Investment Policy

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

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Demand deposit - checking	\$ 553,633	on demand	0.0%	16%
Money market mutual funds	1,878,904	on demand	0.25%	56%
Met-Life Securities:				
certificates of deposit	668,056	15 months	4.0%	20%
mutual US Treasury bond funds	255,357	on demand	2.2%	8%

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.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 3 - Cash and Investments (concluded)

The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2013, the City had \$2,077,463 in financial institutions that was not covered by the FDIC, but was covered by collateralized securities of the financial institutions where the deposits were maintained.

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

Participation in an External Investment Pool

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board).

The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for the day to day administration of LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool.

The State Treasurer determines fair value on 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. As of June 30, 2013, the City's investment in LAIF was \$5,475. Investment earnings for the quarter ended June 30, 2013 was 0.28%. The total amount invested by all public agencies at that date was approximately \$18 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits on an annual basis. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at www.treasurer.ca.gov.

Note 4 - Contingent Liabilities

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.

The City is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the City.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 5 - Receivables

Receivables on the statement of net position consist of the following:

Governmental Activities:	
Property taxes	\$ 45,680
County - collection fee reimbursement	105,000
Sales taxes	130,028
State - grants	40,314
State - other	21,929
County - other	4,419
Gasoline and STIP taxes	112,436
Engineer fees from developers	7,564
Library project donation	70,000
Other income	59,540
	<u>\$ 596,910</u>
Business-type Activities:	
Water utility customers	\$ 51,247
Sewer utility customers	37,852
	<u>\$ 89,099</u>

Notes receivable in the amount of \$5,398,688 consists of deferred repayment loans provided under the City housing and economic development department's affordable housing purchase and rehabilitation grant award programs. The loans are collateralized by deeds of trust on the purchased or improved properties. Repayment terms vary from 15 to 30 years. Some of the loans provide for accrued interest forgiveness under pre-determined contract guidelines.

A developer impact fee agreement in the amount of \$121,000 provides for payments to the City as the subject property becomes occupied.

Note 6 - Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<u>Non-depreciable Assets</u>				
Land	\$ 181,286	\$ -	\$ -	\$ 181,286
<u>Depreciable Assets:</u>				
Buildings and infrastructure	4,320,520	10,800	-	4,331,320
Vehicles and equipment	1,010,140	155,553	-	1,165,693
	5,330,660	166,353	-	5,497,013
<u>Accumulated Depreciation</u>	(1,193,181)	-	(222,090)	(1,415,271)
	4,137,479	166,353	(222,090)	4,081,742
Total capital assets, net	<u>\$ 4,318,765</u>	<u>\$ 166,353</u>	<u>\$ (222,090)</u>	<u>\$ 4,263,028</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 6 - Capital Assets (continued)

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

<u>Water Fund</u>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	\$ 2,358,204	\$ 94,026	\$ -	\$ 2,452,230
<u>Accumulated Depreciation</u>	(1,359,976)	-	(47,228)	(1,407,204)
Total capital assets, net	<u>\$ 998,228</u>	<u>\$ 94,026</u>	<u>\$ (47,228)</u>	<u>\$ 1,045,026</u>
<u>Sewer Fund</u>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Non-depreciable Assets:</u>				
Land	\$ 8,580	\$ -	\$ -	\$ 8,580
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	1,615,796	-	-	1,615,796
<u>Accumulated Depreciation</u>	(626,877)	-	(39,134)	(666,011)
	988,919	-	(39,134)	949,785
Total capital assets, net	<u>\$ 997,499</u>	<u>\$ -</u>	<u>\$ (39,134)</u>	<u>\$ 958,365</u>
<u>Industrial Sewer Fund</u>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u>Accumulated Depreciation</u>	(389,413)	(14,715)	-	(404,128)
Total capital assets, net	<u>\$ 199,031</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 184,316</u>
<u>Building Inspection Fund</u>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
Vehicles and equipment	\$ 44,611	\$ -	\$ -	\$ 44,611
<u>Accumulated Depreciation</u>	(34,567)	-	-	(34,567)
Total capital assets, net	<u>\$ 10,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,044</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 7 - Long-term Obligations

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

	Beginning Balance	Additions	Reductions	End of Year	Due Within One Year
Governmental Activities					
Pension obligation bonds	\$ 2,256,400	\$ -	\$ (191,000)	\$ 2,065,400	\$ 191,000
Compensated absences	141,898	23,093	-	164,991	
	<u>\$ 2,398,298</u>	<u>\$ 23,093</u>	<u>\$ (191,000)</u>	<u>\$ 2,230,391</u>	
Business-type Activities					
Capital lease purchase	\$ 61,048	\$ -	\$ (46,302)	\$ 14,746	\$ 14,746
Compensated absences	76,466	12,616	(184)	88,898	
	<u>\$ 137,514</u>	<u>\$ 12,616</u>	<u>\$ (46,486)</u>	<u>\$ 103,644</u>	

Pension Obligation Bonds

On February 22, 2012, the City issued \$2,308,200 in taxable bonds to refund an obligation to the California Public Employees Retirement System (CalPERS), in an effort to reduce its interest rate from 7.5% to a blended rate of 4.15%, which will provide an estimated total savings of \$178,000 over a 10 year period. The bonds are secured by a pledge of general fund revenue. As of June 30, 2013 the outstanding balance was \$2,065,400.

Future bond payment requirements consist of the following:

Year Ending June 30,	Pension Obligation Bonds - Series 2012		
	Principal	Interest	Total
2014	\$ 209,200	\$ 84,275	\$ 293,475
2015	228,600	75,478	304,078
2016	249,100	65,866	314,966
2017	270,800	55,397	326,197
2018	293,600	44,017	337,617
2019-2023	814,100	68,384	882,484
	<u>\$ 2,065,400</u>	<u>\$ 393,417</u>	<u>\$ 2,458,817</u>

Capital Lease Purchase Obligation

Contract dated November 20, 2008, due in monthly payments of \$3,651, interest at 4.9% per annum, final maturity fiscal year 2013-14, secured by a Vac-Con utility truck. Future debt service requirements are as follows:

Year Ending June 30,	Total
2014	<u>\$ 14,746</u>

Operating Lease Obligation

Contract entered into on January 1, 2011 between the County of Glenn, and the City of Orland, to lease seven public safety vehicles. Monthly lease costs are based upon mileage depreciation, and operating and maintenance costs. The lease contract expires on December 31, 2014. Monthly lease costs have averaged \$5,000 per month.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 7 - Long-term Obligations (continued)

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

<u>Year Ending June 30,</u>	
2014	\$ 62,400
2015	31,800
	<u>\$ 94,200</u>

Internal Loan

On November 20, 2005, the City Council authorized by Resolution, a \$436,122 loan from the water enterprise fund to the general fund to provide for the purchase of real estate for development of a facility to be used for public safety services. The loan accrues interest at the Local Agency Investment Fund (LAIF) rate. Repayment of the loan is scheduled over a 30-year period to the extent that the general fund has available resources, and may be deferred. At June 30, 2013 the outstanding balance was \$476,315.

Note 8 - Interfund Transactions

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

<u>Due from Other Funds / Receivables</u>	
General fund	\$ 352,127
Water fund (see Note 7 Internal Loan)	476,315
	<u>\$ 828,442</u>
 <u>Due to Other Funds / Payables</u>	
General fund (see Note 7 Internal Loan)	\$ 476,315
Sewer fund	19,981
Building inspection fund	264,033
Police dept grant funds	64,864
Other nonmajor funds	3,249
	<u>\$ 828,442</u>

The following table reports operating transfers by fund type:

<u>Fund type</u>	<u>Operating transfers</u>	
	<u>In</u>	<u>Out</u>
Library funds	\$ 4,302	\$ 4,302
Economic grant funds	31,674	31,674
	<u>\$ 35,976</u>	<u>\$ 35,976</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 8 - Interfund Transactions (continued)

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

Note 9 - Defined Benefit Pension Plan

Plan Description

All eligible full-time employees participate in the City's defined benefit pension plan, administered through the California Public Employee's Retirement System, which provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System (CalPERS) is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolution (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Status and Progress

Miscellaneous Plan (non-public safety) participants are required to contribute 8% of their annual covered salary, while Safety Plan (police dept) employees are required to contribute 9% of their annual covered salary. Miscellaneous employees contribute their required 8% share, while public safety employees contribute 8% of their required 9% share with the City paying the 1% difference. The City's required contribution is based upon an actuarially determined rate. The current fiscal year 2012-13 employer rate was 14.5% for miscellaneous plan employees, and 23.7% for public safety plan employees, of annual covered payroll. The subsequent fiscal year 2013-14 employer rate is 15.1% for miscellaneous plan employees, and 25.2% for public safety plan employees. The contribution requirements of plan members, and the City, are established annually and may be amended by CalPERS.

Annual Pension Cost

The City's annual pension cost of \$438,556 to CalPERS is comprised of the following:

Required contributions paid by employees	\$ 134,011
Required contributions paid by employer	299,406
Required employee contributions paid by employer	5,139
	<u>\$ 438,556</u>

The required contributions were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 9 - Defined Benefit Pension Plan (continued)

The actuarial assumptions included:

- a 7.75% investment rate of return (net of administrative expenses).
- projected salary increases of 3.55% to 14.45% depending on age, service, and type of employment.
- an inflation rate of 3.0%.
- a payroll growth rate of 3.25%.
- individual salary growth - a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3.00% and an annual production growth of 0.25%.

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

The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Three-year Trend Information for the Plan is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010-11	\$ 658,189	100%	\$ -0-
2011-12	\$ 564,402	100%	\$ -0-
2012-13	\$ 438,556	100%	\$ -0-

Note 10 - Retiree Healthcare Plan

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 10 - Retiree Healthcare Plan (continued)

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

Annual Required Contribution	\$	23,543
Interest on the net OPEB obligation		-
Adjustment to the Annual Required Contribution		-
Annual OPEB cost		23,543
Payments made		(12,635)
Increase in net OPEB obligation		10,908
Net OPEB obligation - beginning of year		-
Net OPEB obligation - end of year	\$	10,908

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

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 23,543	\$ 12,635	53.7%	\$ 10,908

Funding Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability (AAL) for benefits was \$353,109, all of which is unfunded.

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 10 - Retiree Healthcare Plan (concluded)

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

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

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

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

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

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

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

Plan for Funding

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

Note 11 - Risk Management

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

During the year the City expended \$137,856 for workers compensation coverage and \$95,846 for property and liability coverage. Policy limits are \$50m per occurrence for general liability, and up to \$600,000 maximum payment per covered loss for automobile physical damage, mobile equipment, boiler and machinery. Policy limits for workers' compensation match statutory limits on a per occurrence basis. Employer's liability coverage is included with the policy limits of \$5m per occurrence.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 12 - Subsequent Events

The management of the City has reviewed the results of operations for the period from its year end June 30, 2013 through January 7, 2014, 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 13 - New Pronouncements

Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*:

The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations.
- Accounting Principles Board Opinions.
- Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.”

Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*:

The objective of this Statement is to establish Standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The new term “net position” replaces the term “net assets” in the government-wide, enterprise fund, and fiduciary fund financial statements.

Governmental Accounting Standards Board Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*:

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for periods beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No. 65, *Elements of Financial Statements*:

The Statement provides financial reporting guidelines related to the impact of the financial statement elements “deferred outflows of resources” and “deferred inflows of resources” such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This Statement is effective for periods beginning after December 15, 2012.

Governmental Accounting Standards Board Statement No. 66, *Technical Correction 2012, an amendment of GASB Statements No. 10 and No. 62*:

This Statement affects state and local government’s risk financing activities to the general fund and the internal service fund type, and modifies the specific guidance on accounting for operating lease payments that vary from a straight-line basis. This Statement is effective for periods beginning after December 15, 2012.

Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*:

The Statement revises existing standards of financial reporting for most pension plans. The Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they become due. This Statement is effective for periods beginning on or after June 15, 2013.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2013

Note 13 - New Pronouncements (continued)

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

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

Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*:

The Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, and clarifies the terms *mergers*, *acquisitions*, and *transfers of operations*. This Statement is effective for periods beginning on or after December 15, 2013.

Governmental Accounting Standards Board Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*:

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is effective for periods beginning on or after June 15, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Required Supplementary Information
Note to Budgetary Comparison Schedule
Year Ended June 30, 2013

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

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

CITY OF ORLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Information
General Fund
Year Ended June 30, 2013

Resources (Inflows)	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Property taxes	\$ 780,000	\$ 780,000	\$ 787,332	\$ 7,332
Sales taxes	942,000	942,000	984,801	42,801
Franchise taxes	107,000	107,000	109,499	2,499
Transient occupancy taxes	42,000	42,000	47,251	5,251
Licenses and fees	29,000	29,000	29,899	899
Fines and forfeits	32,000	32,000	35,933	3,933
Intergovernmental	642,403	642,403	631,642	(10,761)
Charge for services	100,500	100,500	110,348	9,848
Use of money and property	56,000	56,000	51,746	(4,254)
Administrative allocation	192,192	192,192	192,191	(1)
Other revenue	12,000	12,000	21,778	9,778
County prop. tax collection fee refund	-	-	105,000	105,000
Amounts Available for Appropriation	<u>2,935,095</u>	<u>2,935,095</u>	<u>3,107,420</u>	<u>172,325</u>
Charges to Appropriations (Outflows)				
City Council	23,834	23,834	37,050	(13,216)
City Manager	162,163	162,163	168,914	(6,751)
City Clerk	95,302	95,302	98,102	(2,800)
City Finance	90,043	90,043	97,154	(7,111)
City Attorney	56,152	56,152	46,407	9,745
City Engineer	23,528	23,528	28,367	(4,839)
City Building maintenance	47,482	47,482	68,798	(21,316)
City Planning	85,414	85,414	99,012	(13,598)
Code enforcement	-	-	24,681	(24,681)
City Police	1,583,986	1,583,986	1,621,501	(37,515)
City Fire	118,814	118,814	130,038	(11,224)
City Library	280,450	280,450	234,705	45,745
City Recreation and pool	182,032	182,032	199,328	(17,296)
City Grants administration	1,175	1,175	5,680	(4,505)
City Streets and storm drains	47,968	47,968	48,795	(827)
City Park maintenance	122,569	122,569	139,059	(16,490)
Total Charges to Appropriations	<u>2,920,912</u>	<u>2,920,912</u>	<u>3,047,591</u>	<u>(126,679)</u>
Surplus (Deficit)	<u>\$ 14,183</u>	<u>\$ 14,183</u>	<u>\$ 59,829</u>	<u>\$ 45,646</u>

CITY OF ORLAND
Required Supplementary Information (unaudited)
Fund Balance Designations Section of the Balance Sheet
Governmental Funds
June 30, 2013

Fund Balances	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Library remodel project	-	-	50,692	50,692
Gas tax - streets/sidewalks	-	-	335,365	335,365
Transportation tax - streets	-	-	10,167	10,167
Assessment Districts - maintenance	-	-	151,111	151,111
CDBG - grant reuse loan funds	-	-	234,734	234,734
Total restricted fund balances	<u>-</u>	<u>-</u>	<u>782,069</u>	<u>782,069</u>
Committed to:				
Fire dept apparatus replacement	122,492	-	-	122,492
Development Impact expenditures	-	1,624,557	-	1,624,557
Library expenditures	-	-	94,779	94,779
Public safety funds - police dept	-	-	10,922	10,922
Grant 95 - city betterments	-	-	442	442
Total committed fund balances	<u>122,492</u>	<u>1,624,557</u>	<u>106,143</u>	<u>1,853,192</u>
Assigned to:				
State unemployment insurance	87,000	-	-	87,000
Community Center expenditures	-	-	1,315	1,315
Sprinkler expenditures	-	-	1,200	1,200
Safety program	-	-	22,152	22,152
Total assigned fund balances	<u>87,000</u>	<u>-</u>	<u>24,667</u>	<u>111,667</u>
Unassigned	<u>487,777</u>	<u>-</u>	<u>371,350</u>	<u>859,127</u>
Total Fund Balances	<u>\$ 697,269</u>	<u>\$ 1,624,557</u>	<u>\$ 1,284,229</u>	<u>\$ 3,606,055</u>

CITY OF ORLAND
Required Supplementary Information (unaudited)
Defined Benefit Pension Plan
Schedule of Funding Progress
June 30, 2013

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
Miscellaneous Plan - 2.7% at age 55 Risk Pool						
6/30/2010	\$ 2,298	\$ 1,816	\$ 482	79%	\$ 434	111%
Safety Plan - 3.0% at age 50 Risk Pool						
6/30/2010	\$ 10,165	\$ 8,470	\$ 1,695	83%	\$ 956	177%

CITY OF ORLAND
Required Supplementary Information (unaudited)
Retiree Healthcare Plan
Schedule of Funding Progress
June 30, 2013

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2013

ASSETS	Gasoline Tax	Transportation Tax	Assessment Districts	Community Center	Library Project	Arts Commission	Recreation Sprinkler Donations	Selective Traffic Mitigation	Safety Fund	Library Funds	Police Department Grants	Economic & Block Grants	Totals
Cash and investments	\$ 228,470	\$ 10,167	\$ 518,863	\$ 1,315	\$ -	\$ -	\$ 1,200	\$ 8,755	\$ 22,152	\$ 94,914	\$ 10,781	\$ 235,176	\$ 1,131,793
Receivables	112,435	-	2,664	-	70,000	-	-	-	-	-	60,433	-	245,532
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivables	-	-	-	-	-	-	-	-	-	-	-	1,988,688	1,988,688
Total Assets	\$ 340,905	\$ 10,167	\$ 521,527	\$ 1,315	\$ 70,000	\$ -	\$ 1,200	\$ 8,755	\$ 22,152	\$ 94,914	\$ 71,214	\$ 2,233,864	\$ 3,376,013
LIABILITIES													
Payables	\$ 5,540	\$ -	\$ -	\$ -	\$ 19,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,848
Deferred revenue	-	-	-	-	-	-	-	-	-	135	-	1,988,688	1,988,823
Internal loans	-	-	-	-	-	1,073	-	-	-	-	64,864	2,176	68,113
Total Liabilities	5,540	-	-	-	19,308	1,073	-	-	-	135	64,864	2,000,864	2,091,784
FUND BALANCES													
Restricted	335,365	10,167	151,111	-	50,692	-	-	-	-	-	-	234,734	782,069
Committed	-	-	-	-	-	-	-	-	-	94,779	10,922	442	106,143
Assigned	-	-	-	1,315	-	-	1,200	-	22,152	-	-	-	24,667
Unreserved	-	-	370,416	-	-	(1,073)	-	8,755	-	-	(4,572)	(2,176)	371,350
Total Fund Balances	335,365	10,167	521,527	1,315	50,692	(1,073)	1,200	8,755	22,152	94,779	6,350	233,000	1,284,229
Total Liabilities and Fund Balances	\$ 340,905	\$ 10,167	\$ 521,527	\$ 1,315	\$ 70,000	\$ -	\$ 1,200	\$ 8,755	\$ 22,152	\$ 94,914	\$ 71,214	\$ 2,233,864	\$ 3,376,013

CITY OF ORLAND
Non-Major Governmental Funds
Combining Statement of Revenue, Expenditures, and Change in Fund Balances
Year Ended June 30, 2013

	Gasoline Tax	Transportation Tax	Assessment Districts	Community Center	Library Project	Arts Commission	Recreation Sprinkler Donations	Selective Traffic Mitigation	Safety Fund	Library Funds	Police Department Grants	Economic & Block Grants	Totals
REVENUE													
Intergovernmental revenue	\$ 268,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,510	\$ -	\$ -	\$ 191,564	\$ 9,455	\$ 486,821
Charge for services	-	-	50,292	-	-	30,034	-	-	-	2,745	-	-	83,071
Investment earnings	-	-	-	-	-	-	-	-	-	-	-	220	220
Other revenue	-	-	-	-	70,000	-	-	-	22,611	7,138	15,121	36,674	151,544
Total Revenue	268,292	-	50,292	-	70,000	30,034	-	17,510	22,611	9,883	206,685	46,349	721,656
EXPENDITURES													
Current -													
General government	-	-	-	-	-	-	-	8,755	26,571	-	-	-	35,326
Community development	-	-	-	-	-	-	-	-	-	-	-	14,002	14,002
Public safety	-	-	-	-	-	-	-	-	-	-	213,634	-	213,634
Public works and streets	248,739	570	55,751	-	-	-	-	-	-	-	-	-	305,060
Library and Arts	-	-	-	-	19,308	43,827	-	-	-	4,493	-	-	67,628
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	248,739	570	55,751	-	19,308	43,827	-	8,755	26,571	4,493	213,634	14,002	635,650
Excess of Revenue Over (Under) Expenditures	19,553	(570)	(5,459)	-	50,692	(13,793)	-	8,755	(3,960)	5,390	(6,949)	32,347	86,006
Transfers in	-	-	-	-	-	-	-	-	-	4,302	-	31,674	35,976
Transfers (out)	-	-	-	-	-	-	-	-	-	(4,302)	-	(31,674)	(35,976)
CHANGE IN FUND BALANCES	19,553	(570)	(5,459)	-	50,692	(13,793)	-	8,755	(3,960)	5,390	(6,949)	32,347	86,006
Fund Balance - beginning	315,812	10,737	526,986	1,315	-	12,720	1,200	-	26,112	89,389	13,299	200,653	1,198,223
Fund Balance - end of year	\$ 335,365	\$ 10,167	\$ 521,527	\$ 1,315	\$ 50,692	\$ (1,073)	\$ 1,200	\$ 8,755	\$ 22,152	\$ 94,779	\$ 6,350	\$ 233,000	\$ 1,284,229

