

CITY OF ORLAND

California

Annual Financial Report June 30, 2015

Elected Officials

City Council

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

**Mayor
Vice Mayor
Member
Member
Member**

***City Clerk*
Angela Crook**

***City Treasurer*
Pam Otterson**

Appointed Officials

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

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

CITY OF ORLAND

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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, 2015, 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2015, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the City's schedule of changes in the net pension liability and related ratios, and schedule of contributions on pages 38-39, the schedule of funding progress for the City's other postemployment benefits plan on page 40, and the respective budgetary comparison information of the general fund on pages 41-42, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Orland's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Implementation of New Accounting Standards

As disclosed in the Note 2 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2014-15.

Marcello & Company

Certified Public Accountants
Sacramento, California
December 4, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ORLAND
Government-wide Financial Statements
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,389,887	\$ 103,459	\$ 3,493,346
Receivables	418,921	75,037	493,958
Internal balances	(204,413)	204,413	-
Prepaid expenses	223,211	119,235	342,446
Notes receivable	5,870,216	-	5,870,216
Capital assets not being depreciated	181,286	8,580	189,866
Capital assets, net of depreciation	5,547,327	2,211,699	7,759,026
Total assets	15,426,435	2,722,423	18,148,858
Deferred Outflows of Resources			
Deferred pensions	338,589	112,863	451,452
Total assets and deferred outflows of resources	15,765,024	2,835,286	18,600,310
Liabilities			
Payables	140,254	18,888	159,142
Deposits	26,413	-	26,413
Noncurrent liabilities (note 9):			
Due within one year	249,100	-	249,100
Due in more than one year	4,329,831	874,638	5,204,469
Total liabilities	4,745,598	893,526	5,639,124
Deferred Inflows of Resources			
Deferred pensions	(196,756)	(65,586)	(262,342)
Total liabilities and deferred inflows of resources	4,548,842	827,940	5,376,782
Net Position			
Invested in capital assets, net	5,728,613	2,220,279	7,948,892
Restricted	2,747,565	-	2,747,565
Unrestricted	2,740,004	(212,933)	2,527,071
Total net position	\$ 11,216,182	\$ 2,007,346	\$ 13,223,528

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, 2015

Functions/Programs	Operating Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 440,811	\$ 64,138	\$ -	\$ -	\$ (376,673)	\$ -	\$ (376,673)
Community development	355,898	1,000	240,857	-	(114,041)	-	(114,041)
Public safety	1,906,619	27,041	114,619	-	(1,764,959)	-	(1,764,959)
Public works and streets	464,312	330,453	303,136	-	169,277	-	169,277
Library and arts	265,557	182,691	-	-	(82,866)	-	(82,866)
Parks and recreation	280,687	64,138	-	-	(216,549)	-	(216,549)
Interest expense	75,478	-	-	-	(75,478)	-	(75,478)
Depreciation expense	292,854	-	-	-	(292,854)	-	(292,854)
Total governmental activities	4,082,216	669,461	658,612	-	(2,754,143)	-	(2,754,143)
Business-type Activities							
Water	926,219	940,263	-	-	\$ 14,044	-	14,044
Sewer	726,020	684,003	-	-	(42,017)	-	(42,017)
Industrial sewer	67,026	53,476	-	-	(13,550)	-	(13,550)
Building inspection	78,621	103,872	-	-	25,251	-	25,251
Total business-type activities	1,797,886	1,781,614	-	-	(16,272)	-	(16,272)
Total primary government	\$ 5,880,102	\$ 2,451,075	\$ 658,612	\$ -	(2,754,143)	(16,272)	(2,770,415)
General Revenue							
Property taxes					817,658	-	817,658
Motor vehicle in-lieu					565,016	-	565,016
Sales tax					1,251,121	-	1,251,121
Franchise and TOT					161,199	-	161,199
Licenses, fees & fines					74,072	-	74,072
Use of money and property					51,209	1,205	52,414
Other revenue					411,627	-	411,627
Total general revenue					3,331,902	1,205	3,333,107
Change in Net Position					577,759	(15,067)	562,692
Net Position - beginning					12,574,852	2,661,890	15,236,742
Prior period adjustment (note 16)					(1,936,429)	(639,477)	(2,575,906)
Net Position, as restated					10,638,423	2,022,413	12,660,836
Net Position - end of year					\$ 11,216,182	\$ 2,007,346	\$ 13,223,528

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

CITY OF ORLAND
Balance Sheet
Governmental Funds
June 30, 2015

Assets	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Cash and investments	\$ 588,048	\$ 1,549,680	\$ 1,252,159	\$ 3,389,887
Receivables	307,899	-	111,022	418,921
Internal loans	320,094	-	-	320,094
Prepaid expenses	205,554	-	17,657	223,211
Notes receivable	-	-	5,870,216	5,870,216
Total assets	<u>\$ 1,421,595</u>	<u>\$ 1,549,680</u>	<u>\$ 7,251,054</u>	<u>\$ 10,222,329</u>
Liabilities				
Payables	\$ 84,726	\$ -	\$ 55,528	\$ 140,254
Deposits	26,413	-	-	26,413
Deferred revenue	-	-	5,870,216	5,870,216
Internal loans	463,952	-	60,555	524,507
Total liabilities	<u>575,091</u>	<u>-</u>	<u>5,986,299</u>	<u>6,561,390</u>
Fund Balances				
Nonspendable	320,094	-	-	320,094
Restricted	-	1,549,680	1,197,885	2,747,565
Committed	192,492	-	-	192,492
Assigned	87,000	-	66,870	153,870
Unassigned	246,918	-	-	246,918
Total fund balances	<u>846,504</u>	<u>1,549,680</u>	<u>1,264,755</u>	<u>3,660,939</u>
Total liabilities and fund balances	<u>\$ 1,421,595</u>	<u>\$ 1,549,680</u>	<u>\$ 7,251,054</u>	<u>\$ 10,222,329</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, 2015**

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

Total fund balances - governmental funds (page 6)	\$ 3,660,939
(1) Capital assets used in governmental activities are not financial resources, and therefore are not reported in the balance sheet	5,728,613
(2) Notes receivable are not due and collectable in the current period, and therefore are not reported in the balance sheet	5,870,216
(3) Long-term liabilities and obligations are not due and payable in the current operating period and therefore are not reported in the balance sheet	(4,578,931)
(4) Deferred outflows of resources reported in the statement of net position	338,589
(5) Deferred inflows of resources reported in the statement of net position	196,756
Net position of governmental activities (page 4)	<u><u>\$ 11,216,182</u></u>

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, 2015

Revenue	General Fund	Development Impact Fees	Other Governmental Funds	Totals
Taxes and assessments	\$ 2,229,978	-	-	\$ 2,229,978
Licenses, fees and fines	74,072	-	-	74,072
Intergovernmental	729,089	-	658,612	1,387,701
Charge for services	128,276	272,732	128,509	529,517
Use of money and property	50,786	-	423	51,209
Other revenue	253,402	-	134,096	387,498
Total revenue	<u>3,465,603</u>	<u>272,732</u>	<u>921,640</u>	<u>4,659,975</u>
Expenditures				
Current:				-
General government	478,611	-	24,717	503,328
Community development	119,489	132,499	166,427	418,415
Public safety	1,910,231	-	132,321	2,042,552
Public works and streets	188,955	-	437,420	626,375
Library and Arts	303,846	-	24,228	328,074
Parks and recreation	360,835	-	-	360,835
Capital outlay	-	-	15,037	15,037
Total expenditures	<u>3,361,967</u>	<u>132,499</u>	<u>800,150</u>	<u>4,294,616</u>
Revenue over (under) Expenditures	103,636	140,233	121,490	365,359
Other Financing Sources (Uses)				
Transfers in	-	110,645	10,632	121,277
Transfers in (out)	(524)	-	(120,753)	(121,277)
Total Other Sources (Uses)	<u>(524)</u>	<u>110,645</u>	<u>(110,121)</u>	<u>-</u>
Change in Fund Balances				
Fund Balances - beginning	103,112	250,878	11,369	365,359
Fund Balances - end of year	<u>743,392</u>	<u>1,298,802</u>	<u>1,253,386</u>	<u>3,295,580</u>
	<u>\$ 846,504</u>	<u>\$ 1,549,680</u>	<u>\$ 1,264,755</u>	<u>\$ 3,660,939</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND

**Reconciliation of the Statement of Revenue, Expenditures, and Change in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Change in fund balances - governmental funds (page 8)	\$ 365,359
(1) Capital assets	
(a) The acquisition of capital assets uses current financial resources but has no effect on net position.	244,306
(b) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	(292,854)
(2) Notes receivable	
The collection of notes receivable increases current financial resources but has no effect on net position.	(22,023)
(3) Long-term obligations	
Payments against long-term liabilities and obligations use current resources but have no effect on net position.	282,971
Change in net position of governmental activities (page 5)	<u>\$ 577,759</u>

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Proprietary Funds
Statement of Net Position
June 30, 2015

Assets	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Current assets:					
Cash and investments	\$ 52,484	\$ -	\$ 50,975	\$ -	\$ 103,459
Receivables	31,115	20,357	23,565	-	75,037
Internal loans	463,952	-	-	-	463,952
Prepaid expenses	72,052	44,997	2,185	-	119,234
Total current assets	619,603	65,354	76,725	-	761,682
Noncurrent assets:					
Capital assets not being depreciated	-	8,580	-	-	8,580
Capital assets, net of depreciation	1,071,962	977,338	154,886	7,513	2,211,699
Total noncurrent assets	1,071,962	985,918	154,886	7,513	2,220,279
Total assets	1,691,565	1,051,272	231,611	7,513	2,981,961
Deferred outflows of resources:					
Deferred pensions	49,660	49,660	-	13,543	112,863
Total assets and deferred outflows of resources	1,741,225	1,100,932	231,611	21,056	3,094,824
Liabilities					
Current liabilities:					
Payables	18,164	604	-	120	18,888
Internal loans	-	41,346	-	218,192	259,538
Total current liabilities	18,164	41,950	-	218,312	278,426
Noncurrent liabilities (note 9):					
Net pension liability	359,888	359,888	-	98,150	817,926
Compensated absences	27,203	24,483	2,720	2,306	56,712
Total noncurrent liabilities	387,091	384,371	2,720	100,456	874,638
Total liabilities	405,255	426,321	2,720	318,768	1,153,064
Deferred inflows of resources:					
Deferred pensions	(28,858)	(28,858)	-	(7,870)	(65,586)
Total liabilities and deferred inflows of resources	376,397	397,463	2,720	310,898	1,087,478
Net Position					
Investment in capital assets, net of related debt	1,071,962	985,918	154,886	7,513	2,220,279
Unrestricted	292,866	(282,449)	74,005	(297,355)	(212,933)
Total net position	\$ 1,364,828	\$ 703,469	\$ 228,891	\$ (289,842)	\$ 2,007,346

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, 2015

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Operating Revenue					
Charge for services	\$ 940,263	\$ 684,003	\$ 53,476	\$ 103,872	\$ 1,781,614
Total operating revenue	<u>940,263</u>	<u>684,003</u>	<u>53,476</u>	<u>103,872</u>	<u>1,781,614</u>
Operating Expenses					
Personnel costs	397,366	318,334	33,575	58,331	807,606
Maintenance and operations	356,789	279,674	7,736	20,290	664,489
Administrative allocation	125,000	90,000	11,000	-	226,000
Depreciation	47,064	38,012	14,715	-	99,791
Total operating expenditures	<u>926,219</u>	<u>726,020</u>	<u>67,026</u>	<u>78,621</u>	<u>1,797,886</u>
Operating Income (Loss)	<u>14,044</u>	<u>(42,017)</u>	<u>(13,550)</u>	<u>25,251</u>	<u>(16,272)</u>
Nonoperating Revenue (Expenses)					
Investment earnings (expense)	1,205	-	-	-	1,205
Transfers in (out)	-	-	-	-	-
Total nonoperating revenue (expenses)	<u>1,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,205</u>
Change in Net Position					
Net Position - beginning	15,249	(42,017)	(13,550)	25,251	(15,067)
Prior period adjustment (note 16)	1,630,949	1,026,856	242,441	(238,356)	2,661,890
Net Position, as restated	<u>(281,370)</u>	<u>(281,370)</u>	<u>-</u>	<u>(76,737)</u>	<u>(639,477)</u>
Net Position - end of year	<u>1,349,579</u>	<u>745,486</u>	<u>242,441</u>	<u>(315,093)</u>	<u>2,022,413</u>
	<u>\$ 1,364,828</u>	<u>\$ 703,469</u>	<u>\$ 228,891</u>	<u>\$ (289,842)</u>	<u>\$ 2,007,346</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, 2015

CASH FLOWS PROVIDED BY (USED FOR)

Operating Activities

Receipts from customers
Payments to suppliers
Payments to employees
Net cash provided (used)

Noncapital Financing Activities

Internal loan proceeds (repayments)
Net cash provided (used)

Capital and Related Financing Activities

Repayment of loan obligations
Purchase of capital assets
Net cash provided (used)

Investing Activities

Investment earnings
Net cash provided (used)

Net Increase (Decrease) in Cash
Cash and Investments - beginning
Cash and Investments - end of year

Operating Activities Analysis

Operating Income (Loss) - page 11
Reconciliation adjustments:
Depreciation, a noncash expense
(Increase) decrease in receivables/prepays
Increase (decrease) in payables/deposits
Net cash provided (used)

	Business-type Activities				Total Enterprise Funds
	Water	Sewer	Industrial Sewer	Building Inspection	
Receipts from customers	\$ 934,365	\$ 687,368	\$ 42,727	\$ 103,872	\$ 1,768,332
Payments to suppliers	(504,373)	(377,571)	(21,387)	(17,864)	(921,195)
Payments to employees	(397,366)	(318,334)	(33,575)	(58,331)	(807,606)
Net cash provided (used)	32,626	(8,537)	(12,235)	27,677	39,531
Internal loan proceeds (repayments)	9,095	16,008	-	(27,797)	(2,694)
Net cash provided (used)	9,095	16,008	-	(27,797)	(2,694)
Repayment of loan obligations	-	-	-	-	-
Purchase of capital assets	(17,430)	(7,471)	-	-	(24,901)
Net cash provided (used)	(17,430)	(7,471)	-	-	(24,901)
Investment earnings	1,205	-	-	-	1,205
Net cash provided (used)	1,205	-	-	-	1,205
Net Increase (Decrease) in Cash	25,496	-	(12,235)	(120)	13,141
Cash and Investments - beginning	26,988	-	63,210	120	90,318
Cash and Investments - end of year	\$ 52,484	\$ -	\$ 50,975	\$ -	\$ 103,459
Operating Income (Loss) - page 11	\$ 14,044	\$ (42,017)	\$ (13,550)	\$ 25,251	\$ (16,272)
Reconciliation adjustments:					
Depreciation, a noncash expense	47,064	38,012	14,715	-	99,791
(Increase) decrease in receivables/prepays	(2,808)	(9,976)	(12,160)	-	(24,944)
Increase (decrease) in payables/deposits	(25,674)	5,444	(1,240)	2,426	(19,044)
Net cash provided (used)	\$ 32,626	\$ (8,537)	\$ (12,235)	\$ 27,677	\$ 39,531

The accompanying notes are an integral part of these financial statements

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

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

- Note 1 - Defining the Financial Reporting Entity
- Note 2 - Summary of Significant Accounting Policies
- Note 3 - Stewardship, Compliance, and Accountability
- Note 4 - Cash and Investments
- Note 5 - Receivables
- Note 6 - Capital Assets
- Note 7 - Payables
- Note 8 - Interfund Transactions
- Note 9 - Long-term Obligations
- Note 10 - Postemployment Benefits Other Than Pensions
- Note 11 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
- Note 12 - Risk Management
- Note 13 - Commitments and Contingencies
- Note 14 - Subsequent Events
- Note 15 - Future Accounting Pronouncements
- Note 16 - Prior Period Adjustment
- Note 17 - Fund Balance Designations Section of the Balance Sheet

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

Note 1 - Defining the Financial Reporting Entity

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

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

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

Orland Volunteer Fire Department

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Financial Statements

In accordance with GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," the financial statements consist of the following:

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

The government-wide financial statements (ie, 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. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program

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Notes to Financial Statements
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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.

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

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are organized as follows:

Governmental Funds

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds are used to account for revenue and expenditures restricted to the acquisition or construction of major capital facilities (other than those financed by Proprietary or Trust funds).

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental fund long-term debt, both principal and interest.

Fiduciary Funds

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

Major Funds

The City's Major Funds are as follows:

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

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

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.

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The government-wide financial statements are accounted for using the 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 statement of net position. 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 they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental funds financial statements 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 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. Revenue is recognized when it becomes both measurable and available to finance the expenditures of the current period (susceptible to accrual). Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees and gasoline taxes), interest, special assessments levied, state and federal grants, and charges for current services. Revenue from licenses, permits, fines and forfeits is recorded as received. Expenditures are recorded when the related fund liability is incurred. Fiduciary Fund revenue and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

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)

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“loans to/from other funds” (long-term lending/borrowing transactions as evidenced by loan agreements).

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

Allowance for Uncollectible Accounts

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

Prepaid Expenses

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

Notes Receivable - Economic and Community Development Loans

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

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.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. The City’s

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Notes to Financial Statements
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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.

Pensions

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In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

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

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Property Tax Revenue

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

- *Property Valuations* - are established by the Glenn County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII-A of the State Constitution (Proposition 13, approved by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- *Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* - are attached annually on January 1, proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- *Tax Collections* - are the responsibility of the county's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments.

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The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments. The City has elected to receive the City's portion of the property taxes from the county under the State's Teeter Plan program. Under this program, the City receives 100% of the City's share of the levied property taxes in periodic payments with the county assuming responsibility for the delinquencies.

- *Tax Levy Apportionments* - due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county's auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three fiscal years prior to fiscal year 1979.
- *Property Tax Administration Fees* - the State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

Revenue and Expenditures

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

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

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68 "*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*" The provisions of this statement revise 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.

Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*" The objective of this statement is to address an issue regarding application of the transition provisions of Statement 68 relating to amounts associated with contributions made by a local government employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68.

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Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

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

1. The City Manager submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at normally scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Economic Dependence

In fiscal year 2014-15, the City received 76% of its total general fund revenue from three sources; sales taxes (36%), property taxes (24%), and motor vehicle in-lieu state revenue (16%). 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.

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.

Note 4 - Cash and Investments

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

CITY OF ORLAND
Notes to Financial Statements
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Statement of Net Position

Cash and investments	\$ 3,493,346
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Cash and Investments consist of the following:

Deposits with financial institutions:

Checking accounts	\$ 536,118
Money market mutual funds	2,405,168
Fixed income: certificates of deposit	416,387
Mutual funds: US government obligations, bonds	130,172
Investment with Local Agency Investment Fund	5,501
	<u>\$ 3,493,346</u>

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$3,492,901 and the financial institution's account balances were \$3,377,313. The difference of \$115,588 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$500,000 was insured by the Federal Depository Insurance Corporation (FDIC) and \$2,992,901 was collateralized in accordance with California Government Code Section 53600 – 53609.

Investment Policy

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City 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.

Disclosures Relating to Credit Risk

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

CITY OF ORLAND
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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 fiscal year-end are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Demand deposit - checking	\$ 535,998	on demand	n/a	15%
Money market mutual funds	1,908,644	on demand	0.30%	55%
Met-Life Securities:				
money market funds	496,524	on demand	n/a	14%
certificates of deposit	416,387	13 months	4.00%	12%
mutual US Treasury bond funds	130,172	on demand	1.85%	4%
Local Agency Investment Fund	5,501	7.7 months	0.27%	0%

Custodial Credit Risk

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

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

Participation in an External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2015, PMIA had approximately \$69.9 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at www.treasurer.ca.gov.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

(in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 5 - Receivables

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

Property taxes	\$ 38,102
Sales taxes	205,576
Intergovernmental	103,736
Franchise fees and TOT	16,588
Other	54,919
	<u>\$ 418,921</u>
Business-type Activities:	
Water utility customers	31,115
Sewer utility customers	43,922
	<u>\$ 75,037</u>

Notes receivable in the amount of \$5,870,216 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.

Note 6 - Capital Assets

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 181,286	\$ -	\$ -	\$ 181,286
<u>Depreciable Assets:</u>				
Buildings and infrastructure	6,094,946	195,323	-	6,290,269
Vehicles and equipment	1,189,887	57,787	-	1,247,674
	7,284,833	253,110	-	7,537,943
<u>Accumulated Depreciation</u>	(1,697,762)	-	(292,854)	(1,990,616)
	5,587,071	253,110	(292,854)	5,547,327
Total capital assets, net	<u>\$ 5,768,357</u>	<u>\$ 253,110</u>	<u>\$ (292,854)</u>	<u>\$ 5,728,613</u>

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

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June 30, 2015

WATER UTILITY FUND

	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u>Depreciable Assets:</u>				
System infrastructure, improvements & equipment	\$ 2,558,530	\$ 17,430	\$ -	\$ 2,575,960
<u>Accumulated Depreciation</u>	<u>(1,456,934)</u>	<u>-</u>	<u>(47,064)</u>	<u>(1,503,998)</u>
Total capital assets, net	<u>\$ 1,101,596</u>	<u>\$ 17,430</u>	<u>\$ (47,064)</u>	<u>\$ 1,071,962</u>

SEWER UTILITY FUND

Non-depreciable Assets:

Land	\$ 8,580	\$ -	\$ -	\$ 8,580
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Depreciable Assets:

System infrastructure, improvements & equipment	1,711,136	7,471	-	1,718,607
<u>Accumulated Depreciation</u>	<u>(703,257)</u>	<u>-</u>	<u>(38,012)</u>	<u>(741,269)</u>
	<u>1,007,879</u>	<u>7,471</u>	<u>(38,012)</u>	<u>977,338</u>
Total capital assets, net	<u>\$ 1,016,459</u>	<u>\$ 7,471</u>	<u>\$ (38,012)</u>	<u>\$ 985,918</u>

INDUSTRIAL SEWER UTILITY

Depreciable Assets:

System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u>Accumulated Depreciation</u>	<u>(418,843)</u>	<u>(14,715)</u>	<u>-</u>	<u>(433,558)</u>
Total capital assets, net	<u>\$ 169,601</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 154,886</u>

BUILDING OFFICIAL FUND

Depreciable Assets:

Vehicles and equipment	\$ 16,934	\$ -	\$ -	\$ 16,934
<u>Accumulated Depreciation</u>	<u>(9,421)</u>	<u>-</u>	<u>-</u>	<u>(9,421)</u>
Total capital assets, net	<u>\$ 7,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,513</u>

Note 7 - Payables

Accounts and accrued expenses as reported in the statement of net position consist of the following:

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June 30, 2015

Accounts Payable for

Glenn County	\$ 13,750
Construction projects	52,886
Utilities	30,688
Other vendors and suppliers	42,930
	<u>\$ 140,254</u>

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.

Due from Other Funds / Receivables

General fund	\$ 320,094
Water fund (see note 9 - Internal Loan)	463,952
	<u>\$ 784,046</u>

Due to Other Funds / Payables

General fund	\$ 463,952
Sewer fund	41,346
Building inspection fund	218,192
Police dept grant funds	60,556
	<u>\$ 784,046</u>

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

The following table reports operating transfers by fund type:

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Notes to Financial Statements
June 30, 2015

<u>Fund type</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 524
Developer impact fees	110,645	-
Gas tax fund	524	-
Public safety grant fund	10,108	-
Economic grants funds	-	120,753
	<u>\$ 121,277</u>	<u>\$ 121,277</u>

Note 9 - Long-term Obligations

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Pension obligation bonds	\$ 1,856,200	\$ -	\$ (228,600)	\$ 1,627,600	\$ 249,100
Net pension liability	-	2,453,774	-	2,453,774	
Net OPEB obligation	353,109	-	-	353,109	
Compensated absences	198,819	-	(54,371)	144,448	
	<u>\$ 2,408,128</u>	<u>\$ 2,453,774</u>	<u>\$ (282,971)</u>	<u>\$ 4,578,931</u>	
<u>Business-type Activities</u>					
Net pension liability	\$ -	\$ 817,926	\$ -	\$ 817,926	
Compensated absences	43,650	13,062	-	56,712	
	<u>\$ 43,650</u>	<u>\$ 830,988</u>	<u>\$ -</u>	<u>\$ 874,638</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, 2015 the outstanding balance was \$1,627,600.

Future bond payment requirements consist of the following:

<u>Year Ending June 30,</u>	<u>Pension Obligation Bonds - Series 2012</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 249,100	\$ 65,866	\$ 314,966
2017	270,800	55,397	326,197
2018	293,600	44,017	337,617
2019	248,900	17,969	266,869
2020	145,100	12,434	157,534
2021-2023	420,100	27,093	447,193
	<u>\$ 1,627,600</u>	<u>\$ 222,776</u>	<u>\$ 1,850,376</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

Compensated Absences

City employees accumulate earned but unused vacation benefits. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position in the amount of \$144,448 for governmental activities, and \$56,712 for business-type activities.

Operating Lease Obligation

Contract entered into on January 1, 2015 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. Monthly lease and maintenance costs have averaged \$5,500 per month.

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

July 1, 2015 to June 30, 2016	\$ 66,000
July 1, 2016 to June 30, 2017	66,000
July 1, 2017 to June 30, 2018	66,000
July 1, 2018 to December 31, 2018	33,000
	<u>\$ 231,000</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, 2015 the outstanding balance was \$463,952.

Note 10 - Postemployment Benefits Other Than Pensions

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, 2015

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	377
Adjustment to the Annual Required Contribution	<u>(560)</u>
Annual OPEB cost	23,360
Payments made	<u>(15,485)</u>
Increase in net OPEB obligation	7,875
Net OPEB obligation - beginning of year	<u>18,860</u>
Net OPEB obligation - end of year	<u><u>\$ 26,735</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 23,543	\$ 12,635	53.7%	\$ 10,908
June 30, 2014	\$ 23,437	\$ 15,485	66.1%	\$ 18,860
June 30, 2015	\$ 23,360	\$ 15,485	66.3%	\$ 26,735

Funding Status and Funding Progress

As of June 30, 2015, 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

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

the mortality tables.

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

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

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

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

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 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description

The City provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.7% @ 62
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2.7%
Required employee contribution rates	6.891%	6.308%
Required employer contribution rates	10.781%	6.250%

	Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	3.0%	2.7%
Required employee contribution rates	8.980%	11.500%
Required employer contribution rates	20.774%	11.500%

Contributions

The City makes contributions required as the employer. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of plan are established and may be amended by CalPERS. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for this plan were as follows:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

	Miscellaneous Plan	Safety Plan	Totals
Employer Contribution	\$ 167,766	\$ 167,770	\$ 335,536
Employee Contribution	87,696	51,686	139,382
	<u>\$ 255,462</u>	<u>\$ 219,456</u>	<u>\$ 474,918</u>

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

As of June 30, 2015, the City reported net pension liabilities for its Proportionate Share of the Net Pension Liability of the Plan in the amount of \$3,271,700.

The City's net pension liability for its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2014 was as follows:

Miscellaneous Plan - Classic	0.07503%
Miscellaneous Plan - PEPRA	0.00000%
Safety Plan - Classic	0.03458%
Safety Plan - PEPRA	0.00000%

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 455,891	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(262,342)
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Differences between expected and actual experience	(4,439)	-
Totals	<u>\$ 451,452</u>	<u>\$ (262,342)</u>

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to this pension plan will be recognized as pension expense as follows:

Year Ended June 30,	
2015	\$ (257,902)
2016	(257,902)
2017	(257,060)
2018	(253,686)
	<u>\$ (1,026,550)</u>

C. Actuarial Assumptions

The total pension liability for this plan in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous & Safety Plans</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

D. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquid Assets	2.00%	-0.55%	-1.05%

(1) an expected inflation rate of 2.5% is used for this period

(2) an expected inflation rate of 3.0% is used for this period

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

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

	Discount Rate: -1%	Current Discount	Discount Rate +1%
	6.50%	Rate 7.50%	8.50%
Misc-Classic	\$ 3,303,710	\$ 1,854,255	\$ 651,346
Misc-PEPRA	-	-	-
Safety-Classic	2,232,124	1,297,090	526,662
Safety-PEPRA	-	-	-

Note 12 - Risk Management

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

During the year the City expended \$130,086 for workers compensation coverage and \$99,887 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.

Note 13 - Commitments and Contingencies

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

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

At June 30, 2015, the City was in contract for several grant funded construction projects, which are expected to be completed by December 31, 2015.

Note 14 - Subsequent Events

The management of the City has reviewed the results of operations for the period from its year end June 30, 2015 through January 4, 2016, 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.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

Note 15 - Future Accounting Pronouncements

GASB Statements Nos. 72-76 listed below will be implemented in future financial statements:

Statement No. 72 *"Fair Value Measurement and Application"*

The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

Statement No. 73 *"Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68"*

The provisions of this statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*

The provisions of this statement are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans"*

The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*

The provisions of this statement are effective for reporting periods beginning after June 15, 2015.

Note 16 - Prior Period Adjustment

A prior period adjustment of \$(1,936,429) to Governmental Activities, and \$(639,477) to Business-type Activities, was made to decrease the City's beginning net position to reflect the prior period's unfunded pension liability and deferrals in accordance with the implementation of GASB Statement No. 68.

CITY OF ORLAND
Notes to Financial Statements
June 30, 2015

Note 17 - Fund Balance Designations Section of the Balance Sheet

Fund Balances	General Fund	Development Impact Fees Fund	Nonmajor Governmental Funds	Total
Nonspendable:	<u>\$ 320,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,094</u>
Restricted for:				
Library remodel/book purchases	-	-	96,836	96,836
DIF capital expenditures	-	1,549,680	-	1,549,680
Gas tax - streets/sidewalks	-	-	264,472	264,472
Transportation tax - streets	-	-	10,219	10,219
Assessment Districts maintenance	-	-	523,235	523,235
Public safety grant funds - police dept	-	-	18,799	18,799
CDBG - grant reuse loan funds	-	-	284,324	284,324
Total restricted fund balances	<u>-</u>	<u>1,549,680</u>	<u>1,197,885</u>	<u>2,747,565</u>
Committed to:				
Fire dept apparatus replacement	192,492	-	-	192,492
Total committed fund balances	<u>192,492</u>	<u>-</u>	<u>-</u>	<u>192,492</u>
Assigned to:				
State unemployment insurance	87,000	-	-	87,000
Community Center expenditures	-	-	1,315	1,315
Downtown signs	-	-	1,000	1,000
Arts Commission	-	-	33,685	33,685
Safety program	-	-	30,870	30,870
Total assigned fund balances	<u>87,000</u>	<u>-</u>	<u>66,870</u>	<u>153,870</u>
Unassigned	<u>246,918</u>	<u>-</u>	<u>-</u>	<u>246,918</u>
Total Fund Balances	<u><u>\$ 846,504</u></u>	<u><u>\$ 1,549,680</u></u>	<u><u>\$ 1,264,755</u></u>	<u><u>\$ 3,660,939</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Year Ended June 30, 2015

Schedule of Changes in the Net Pension Liability and Related Ratios

The beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year are presented by cause.

Total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll.

Schedule of Contributions

If an agent employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the agent employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

CITY OF ORLAND
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2015

Schedule of Changes in the Net Pension Liability and Related Ratios

<u>Total Pension Liability</u>	2015
Service cost	\$ 404,911
Interest on total pension liability	1,260,587
Recognized differences between expected and actual experience	-
Recognized changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(728,834)
Net change during 2013-14 in total pension liability	936,664
Total pension liability balance - beginning 6/30/2013 (VD)	16,969,794
Total pension liability balance - ending 6/30/2014 (MD)	<u>\$ 17,906,458</u>
 <u>Plan Fiduciary Net Position</u>	
Plan's proportionate share of aggregate employer contributions (current year)	\$ 406,218
Plan's proportionate share of aggregate employee contributions (current year)	128,974
Projected earnings on pension plan investments	945,651
Benefit payments	555,618
Net change in plan fiduciary net position	2,036,461
Plan fiduciary net position - beginning 6/30/2013 (VD)	12,718,652
Plan fiduciary net position - ending 6/30/2014 (MD)	<u>\$ 14,755,113</u>
 Plan's Net Pension Liability/(Asset) (7.5% discount rate)	 <u>\$ 3,151,345</u>
 Plan's proportion of the net pension liability/(asset)	 0.050650%
Plan's proportionate share of the net pension liability/(asset)	\$ 3,151,345
Plan's covered-employee payroll	\$ 1,851,123
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	170.24%

Schedule of Contributions

Actuarially determined contribution	\$ 294,491
Contributions in relation to the actuarially determined contributions	(294,491)
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee payroll	 \$ 1,851,123
Contributions as a percentage of covered employee payroll	15.91%

CITY OF ORLAND
Required Supplementary Information
Schedule of Funding Progress (unaudited)
Other Postemployment Benefits Plan
As of June 30, 2015

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend information from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
June 30, 2013	\$ 353,109	\$ -	\$ 353,109	0%	\$ 1,006,895	35.1%

CITY OF ORLAND
Required Supplementary Information
Note to Budgetary Comparison Schedule
Year Ended June 30, 2015

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Resources (Inflows)	Original	Final	Amounts	
Property taxes	\$ 811,597	\$ 811,597	\$ 817,658	\$ 6,061
Sales taxes	1,067,790	1,067,790	1,251,121	183,331
Motor vehicle in-lieu	535,000	535,000	565,016	30,016
Franchise taxes	120,000	120,000	108,117	(11,883)
Transient occupancy taxes	46,000	46,000	53,082	7,082
Licenses, fees & fines	21,500	21,500	20,088	(1,412)
Fines and forfeitures	34,000	34,000	37,400	3,400
Glenn County Library support	60,299	60,299	64,799	4,500
City of Willows Library support	-	-	63,216	63,216
Real property transfer tax	12,000	12,000	16,584	4,584
HOPTR	10,500	10,500	9,359	(1,141)
Charge for services	131,500	131,500	128,276	(3,224)
Use of money and property	44,000	44,000	51,209	7,209
Administrative allocation	226,000	226,000	226,000	-
Other revenue	10,000	10,000	53,678	43,678
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>3,130,186</u>	<u>3,130,186</u>	<u>3,465,603</u>	<u>335,417</u>
Charges to Appropriations (Outflows)				
5010 City Council	37,877	37,877	39,203	(1,326)
5050 City Manager	179,524	179,524	192,345	(12,821)
5020 City Clerk	101,239	101,239	104,302	(3,063)
5030 City Finance	96,721	96,721	86,819	9,902
5040 City Attorney	49,527	49,527	55,942	(6,415)
5070 City Building inspector (budget includes funds 00 and 29)	23,904	23,904	37,666	(13,762)
5090 Public works	-	-	5,783	(5,783)
5060 City Planning	77,292	77,292	81,218	(3,926)
5110 City Police	1,705,603	1,705,603	1,798,571	(92,968)
5120 City Fire	112,320	112,320	111,660	660
5160 City Engineer	31,986	31,986	36,358	(4,372)
5170 Streets and storm drains	53,842	53,842	76,701	(22,859)
5190 Building maintenance	72,886	72,886	67,925	4,961
5191 5th Street lot maintenance	-	-	2,188	(2,188)
5200 City Library	298,726	298,726	303,846	(5,120)
5250 City Park Maintenance	81,971	81,971	88,151	(6,180)
5260 City Recreation	192,642	192,642	232,834	(40,192)
5261 City pool maintenance	32,000	32,000	39,850	(7,850)
6261 Grants administration	2,025	2,025	605	1,420
Transfers out to other funds	-	-	524	(524)
Total Charges to Appropriations	<u>3,150,085</u>	<u>3,150,085</u>	<u>3,362,491</u>	<u>(211,882)</u>
Surplus (Deficit)	<u>\$ (19,899)</u>	<u>\$ (19,899)</u>	<u>\$ 103,112</u>	<u>\$ 123,535</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORLAND
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

ASSETS	Gasoline		Transportation		Assessment		Community		Downtown		Arts		Safety		Library		Police		Economic		Totals
	Tax		Tax		Districts		Center		Signs		Commission		Fund		Funds		Department		& Block		
Cash and investments	\$ 226,980	\$	10,219	\$	\$ 518,230	\$	1,315	\$	1,000	\$	33,685	\$	30,870	\$	96,836	\$	18,799	\$	314,225	\$	1,252,159
Receivables	83,900	-	-	-	2,932	-	-	-	-	-	-	-	-	-	-	-	24,190	-	-	-	111,022
Prepaid expenses	9,081	-	-	-	2,112	-	-	-	-	-	-	-	-	-	-	-	6,464	-	-	-	17,657
Notes receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 319,961	\$	10,219	\$	\$ 523,274	\$	1,315	\$	1,000	\$	33,685	\$	30,870	\$	96,836	\$	49,453	\$	6,184,441	\$	7,251,054
LIABILITIES																					
Payables	\$ 55,489	\$	-	\$	39	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-	-	-	\$ 55,528
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,870,216
Internal loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,654	-	29,901	-	60,555
Total Liabilities	55,489	-	-	-	39	-	-	-	-	-	-	-	-	-	-	-	30,654	-	5,900,117	-	5,986,299
FUND BALANCES																					
Restricted	264,472	10,219	523,235	-	-	-	-	-	-	-	-	-	-	-	96,836	18,799	284,324	1,197,885	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	1,315	-	1,000	33,685	30,870	-	-	-	-	-	-	-	-	-	-	-	-	66,870
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	264,472	10,219	523,235	1,315	523,235	1,000	33,685	30,870	96,836	18,799	284,324	1,197,885	-	-	-	-	-	-	-	-	-
Total Liabilities and	\$ 319,961	\$	10,219	\$	523,274	\$	1,315	\$	1,000	\$	33,685	\$	30,870	\$	96,836	\$	49,453	\$	6,184,441	\$	7,251,054

CITY OF ORLAND

Nonmajor Governmental Funds

Combining Statement of Revenue, Expenditures, and Change in Fund Balances

Year Ended June 30, 2015

REVENUE	Gasoline Tax	Transportation Tax	Assessment Districts	Community Center	Downtown Signs	Arts Commission	Safety Fund	Library Funds	Police Department Grants	Economic & Block Grants	Totals
Intergovernmental revenue	\$ 303,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,619	\$ 240,857	\$ 658,612
Charge for services	-	-	57,721	-	1,000	44,702	-	9,974	15,112	-	128,509
Investment earnings	-	52	-	-	-	-	-	-	-	371	423
Other revenue	-	-	-	-	-	-	22,997	-	11,929	99,170	134,096
Total Revenue	303,136	52	57,721	-	1,000	44,702	22,997	9,974	141,660	340,398	921,640
EXPENDITURES											
Current -											
General government	-	-	-	-	-	-	24,717	-	-	-	24,717
Community development	-	-	-	-	-	-	-	-	-	166,427	166,427
Public safety	-	-	-	-	-	-	-	-	132,321	-	132,321
Public works and streets	381,872	-	55,548	-	-	-	-	-	-	-	437,420
Library and Arts	-	-	-	-	13,150	-	-	11,078	-	-	24,228
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	15,037	15,037
Total Expenditures	381,872	-	55,548	-	13,150	-	24,717	11,078	132,321	181,464	800,150
Excess of Revenue Over (Under) Expenditures	(78,736)	52	2,173	-	(12,150)	44,702	(1,720)	(1,104)	9,339	158,934	121,490
Transfers in	524	-	-	-	-	-	-	-	-	10,108	10,632
Transfers (out)	-	-	-	-	-	-	-	-	-	(120,753)	(120,753)
CHANGE IN FUND BALANCES	(78,212)	52	2,173	-	(12,150)	44,702	(1,720)	(1,104)	9,339	48,289	11,369
Fund Balance - beginning	342,684	10,167	521,062	1,315	-	2,133	32,590	97,940	9,460	236,035	1,253,386
Fund Balance - end of year	\$ 264,472	\$ 10,219	\$ 523,235	\$ 1,315	\$ (12,150)	\$ 46,835	\$ 30,870	\$ 96,836	\$ 18,799	\$ 284,324	\$ 1,264,755

