

# **CITY OF ORLAND**

## ***California***

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### **Annual Financial Report June 30, 2016**

#### **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**

# CITY OF ORLAND

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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.

#### ***Opinion***

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, 2016, 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 management's discussion and analysis, pension schedules and schedules of funding progress, other postemployment benefits plan schedule of funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Orland's basic financial statements. The combining nonmajor 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
December 9, 2016

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**CITY OF ORLAND**  
**Government-wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 3,214,370	\$ 537,400	\$ 3,751,770
Receivables	1,515,874	67,797	1,583,671
Internal balances	(284,457)	284,457	-
Prepaid expenses	-	55,705	55,705
Notes receivable	5,925,821	-	5,925,821
Capital assets not being depreciated	1,001,656	559,130	1,560,786
Capital assets, net of depreciation	5,418,318	2,112,055	7,530,373
Total assets	<u>16,791,582</u>	<u>3,616,544</u>	<u>20,408,126</u>
<b>Deferred Outflows of Resources</b>			
Deferred pensions	391,175	130,392	521,567
Total assets and deferred outflows of resources	<u>17,182,757</u>	<u>3,746,936</u>	<u>20,929,693</u>
<b>Liabilities</b>			
Payables	326,962	147,791	474,753
Deposits	65,298	-	65,298
Noncurrent liabilities (note 10):			
Due within one year	343,689	30,871	374,560
Due in more than one year	4,702,902	1,581,141	6,284,043
Total liabilities	<u>5,438,851</u>	<u>1,759,803</u>	<u>7,198,654</u>
<b>Deferred Inflows of Resources</b>			
Deferred pensions	355,245	118,415	473,660
Total liabilities and deferred inflows of resources	<u>5,794,096</u>	<u>1,878,218</u>	<u>7,672,314</u>
<b>Net Position</b>			
Net investment in capital assets	6,213,995	2,268,773	8,482,768
Restricted	3,028,862	-	3,028,862
Unrestricted	2,145,804	(400,055)	1,745,749
Total net position	<u>\$ 11,388,661</u>	<u>\$ 1,868,718</u>	<u>\$ 13,257,379</u>

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

**CITY OF ORLAND**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/Programs	Operating Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 631,002	\$ 48,903	\$ -	\$ -	\$ (582,099)		\$ (582,099)
Community development	147,216	-	-	-	(147,216)		(147,216)
Public safety	2,043,776	-	123,128	-	(1,920,648)		(1,920,648)
Public works and streets	171,505	463,967	697,887	-	990,349		990,349
Library and arts	436,136	43,891	148,409	-	(243,836)		(243,836)
Parks and recreation	433,514	72,632	-	-	(360,882)		(360,882)
Capital outlay	764,511	-	-	-	(764,511)		(764,511)
Interest expense	90,363	-	-	-	(90,363)		(90,363)
Depreciation expense	304,281	-	-	-	(304,281)		(304,281)
Total governmental activities	<u>5,022,304</u>	<u>629,393</u>	<u>969,424</u>	<u>-</u>	<u>(3,423,487)</u>		<u>(3,423,487)</u>
<b>Business-type Activities</b>							
Water	1,027,247	1,079,156	-	-		\$ 51,909	51,909
Sewer	851,537	847,967	-	-		(3,570)	(3,570)
Industrial sewer	70,555	54,327	-	-		(16,228)	(16,228)
Building inspection	120,391	187,000	-	-		66,609	66,609
Total business-type activities	<u>2,069,730</u>	<u>2,168,450</u>	<u>-</u>	<u>-</u>		<u>98,720</u>	<u>98,720</u>
Total primary government	<u>\$ 7,092,034</u>	<u>\$ 2,797,843</u>	<u>\$ 969,424</u>	<u>\$ -</u>	<u>(3,423,487)</u>	<u>98,720</u>	<u>(3,324,767)</u>
<b>General Revenue</b>							
					789,533	-	789,533
					595,273	-	595,273
					1,518,643	-	1,518,643
					170,416	-	170,416
					70,564	-	70,564
					65,159	2,141	67,300
					386,378	-	386,378
					<u>3,595,966</u>	<u>2,141</u>	<u>3,598,107</u>
<b>Change in Net Position</b>							
					<u>172,479</u>	<u>100,861</u>	<u>273,340</u>
					11,216,182	2,084,083	13,300,265
					-	(316,226)	(316,226)
					<u>11,216,182</u>	<u>1,767,857</u>	<u>12,984,039</u>
					<u>\$ 11,388,661</u>	<u>\$ 1,868,718</u>	<u>\$ 13,257,379</u>

The accompanying notes are an integral part of these financial statements

***FUND FINANCIAL STATEMENTS***



**CITY OF ORLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<b>General Fund</b>	<b>Development Impact Fees</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Assets</b>				
Cash and investments	\$ 143,047	\$ 1,862,369	\$ 1,208,954	\$ 3,214,370
Receivables	572,679	-	943,195	1,515,874
Internal loans	403,896	-	-	403,896
Notes receivable	-	-	5,925,821	5,925,821
Total assets	<u>\$ 1,119,622</u>	<u>\$ 1,862,369</u>	<u>\$ 8,077,970</u>	<u>\$ 11,059,961</u>
<b>Liabilities</b>				
Payables	\$ 41,326	\$ -	\$ 285,636	\$ 326,962
Deposits	65,298	-	-	65,298
Deferred revenue	-	-	6,336,328	6,336,328
Internal loans	451,457	-	236,896	688,353
Total liabilities	<u>558,081</u>	<u>-</u>	<u>6,858,860</u>	<u>7,416,941</u>
<b>Fund Balances</b>				
Nonspendable	403,896	-	-	403,896
Restricted	-	1,862,369	1,166,493	3,028,862
Committed	34,491	-	-	34,491
Assigned	87,000	-	98,059	185,059
Unassigned	36,154	-	(45,442)	(9,288)
Total fund balances	<u>561,541</u>	<u>1,862,369</u>	<u>1,219,110</u>	<u>3,643,020</u>
Total liabilities and fund balances	<u>\$ 1,119,622</u>	<u>\$ 1,862,369</u>	<u>\$ 8,077,970</u>	<u>\$ 11,059,961</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, 2016**

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

Total fund balances - governmental funds (page 6)	\$ 3,643,020
(1) Capital assets used in governmental activities are not financial resources, and therefore are not reported in the balance sheet	6,419,974
(2) Notes receivable are not due and collectable in the current period, and therefore are not reported in the balance sheet	6,336,328
(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	(5,046,591)
(4) Deferred outflows of resources reported in the statement of net position	391,175
(5) Deferred inflows of resources reported in the statement of net position	(355,245)
Net position of governmental activities (page 4)	<u>\$ 11,388,661</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, 2016**

	<b>General Fund</b>	<b>Development Impact Fees</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Revenue</b>				
Taxes and assessments	\$ 2,478,592	\$ -	\$ -	\$ 2,478,592
Licenses, fees and fines	70,564	-	-	70,564
Intergovernmental	743,682	-	821,015	1,564,697
Charge for services	121,535	382,576	125,282	629,393
Use of money and property	49,584	10,104	5,471	65,159
Other revenue	234,018	-	152,360	386,378
Total revenue	<u>3,697,975</u>	<u>392,680</u>	<u>1,104,128</u>	<u>5,194,783</u>
<b>Expenditures</b>				
Current:				
General government	524,040	-	19,983	544,023
Community development	187,094	-	536	187,630
Public safety	2,058,729	-	158,387	2,217,116
Public works and streets	223,192	-	483,766	706,958
Library and Arts	336,369	-	12,787	349,156
Parks and recreation	433,514	-	-	433,514
Capital projects	220,000	79,991	464,520	764,511
Total expenditures	<u>3,982,938</u>	<u>79,991</u>	<u>1,139,979</u>	<u>5,202,908</u>
Revenue over (under) Expenditures	(284,963)	312,689	(35,851)	(8,125)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	71,554	71,554
Transfers (out)	-	-	(71,554)	(71,554)
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balances</b>	(284,963)	312,689	(35,851)	(8,125)
Fund Balances - beginning	846,504	1,549,680	1,254,961	3,651,145
Fund Balances - end of year	<u>\$ 561,541</u>	<u>\$ 1,862,369</u>	<u>\$ 1,219,110</u>	<u>\$ 3,643,020</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, 2016**

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

Change in fund balances - governmental funds (page 8)	\$	(8,125)
(1) Capital assets		
(a) The acquisition of capital assets uses current financial resources but has no effect on net position.		995,642
(b) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.		(304,281)
(2) Notes receivable		
The increase or decrease in notes receivable affects current financial resources but has no effect on net position.		55,605
(3) Long-term debt and obligations		
Payments against long-term liabilities and obligations use current resources in the funds financial statements but have no effect on the net position in the government-wide financial statements.		157,159
Proceeds from long-term debt liabilities and obligations provide current resources in the funds financial statements but have no effect on net position in government-wide financial statements.		(837,705)
(4) Deferred outflows and inflows of resources are not recognized in the current period and therefore not reported in the governmental funds.		114,184
Change in net position of governmental activities (page 5)	<u>\$</u>	<u>172,479</u>

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

**CITY OF ORLAND**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Business-type Activities</b>				<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Industrial Sewer</b>	<b>Building Official</b>	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 327,251	\$ 148,563	\$ 63,055	\$ (1,469)	\$ 537,400
Receivables	34,265	21,003	12,529	-	67,797
Internal loans	451,457	-	-	-	451,457
Prepaid expenses	36,712	18,993	-	-	55,705
Total current assets	<u>849,685</u>	<u>188,559</u>	<u>75,584</u>	<u>(1,469)</u>	<u>1,112,359</u>
Noncurrent assets:					
Capital assets not being depreciated	550,550	8,580	-	-	559,130
Capital assets, net of depreciation	1,023,837	940,534	140,171	7,513	2,112,055
Total noncurrent assets	<u>1,574,387</u>	<u>949,114</u>	<u>140,171</u>	<u>7,513</u>	<u>2,671,185</u>
Total assets	<u>2,424,072</u>	<u>1,137,673</u>	<u>215,755</u>	<u>6,044</u>	<u>3,783,544</u>
Deferred outflows of resources:					
Deferred pensions	65,196	65,196	-	-	130,392
Total assets and deferred outflows of resources	<u>2,489,268</u>	<u>1,202,869</u>	<u>215,755</u>	<u>6,044</u>	<u>3,913,936</u>
<b>Liabilities</b>					
Current liabilities:					
Payables	147,449	-	-	342	147,791
Internal loans	18,926	-	-	148,074	167,000
Total current liabilities	<u>166,375</u>	<u>-</u>	<u>-</u>	<u>148,416</u>	<u>314,791</u>
Noncurrent liabilities:					
State loan	402,412	-	-	-	402,412
Net pension liability	489,837	489,837	-	-	979,674
Postemployment medical liability	53,221	53,222	-	-	106,443
Compensated absences	58,434	58,434	2,720	3,895	123,483
Total noncurrent liabilities	<u>1,003,904</u>	<u>601,493</u>	<u>2,720</u>	<u>3,895</u>	<u>1,612,012</u>
Total liabilities	<u>1,170,279</u>	<u>601,493</u>	<u>2,720</u>	<u>152,311</u>	<u>1,926,803</u>
Deferred inflows of resources:					
Deferred pensions	59,207	59,208	-	-	118,415
Total liabilities and deferred inflows of resources	<u>1,229,486</u>	<u>660,701</u>	<u>2,720</u>	<u>152,311</u>	<u>2,045,218</u>
<b>Net Position</b>					
Net investment in capital assets	1,171,975	949,114	140,171	7,513	2,268,773
Unrestricted	87,807	(406,946)	72,864	(153,780)	(400,055)
Total net position	<u>\$ 1,259,782</u>	<u>\$ 542,168</u>	<u>\$ 213,035</u>	<u>\$ (146,267)</u>	<u>\$ 1,868,718</u>

*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, 2016**

	<b>Business-type Activities</b>			<b>Building Official</b>	<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Industrial Sewer</b>		
<b>Operating Revenue</b>					
Charge for services	\$ 1,079,156	\$ 847,967	\$ 54,327	\$ 187,000	\$ 2,168,450
Total operating revenue	<u>1,079,156</u>	<u>847,967</u>	<u>54,327</u>	<u>187,000</u>	<u>2,168,450</u>
<b>Operating Expenses</b>					
Personnel costs	496,002	486,655	33,470	81,200	1,097,327
Maintenance and operations	365,620	236,078	11,870	39,191	652,759
Administrative allocation	117,500	92,000	10,500	-	220,000
Depreciation	48,125	36,804	14,715	-	99,644
Total operating expenditures	<u>1,027,247</u>	<u>851,537</u>	<u>70,555</u>	<u>120,391</u>	<u>2,069,730</u>
<b>Operating Income (Loss)</b>	<u>51,909</u>	<u>(3,570)</u>	<u>(16,228)</u>	<u>66,609</u>	<u>98,720</u>
<b>Nonoperating Revenue (Expenses)</b>					
Investment earnings (expense)	1,158	382	372	229	2,141
Transfers in (out)	-	-	-	-	-
Total nonoperating revenue (expenses)	<u>1,158</u>	<u>382</u>	<u>372</u>	<u>229</u>	<u>2,141</u>
<b>Change in Net Position</b>	53,067	(3,188)	(15,856)	66,838	100,861
Net Position - beginning	1,364,828	703,469	228,891	(289,842)	2,007,346
Prior period adjustment	(158,113)	(158,113)	-	76,737	(239,489)
Net Position, as restated	<u>1,206,715</u>	<u>545,356</u>	<u>228,891</u>	<u>(213,105)</u>	<u>1,767,857</u>
Net Position - end of year	<u>\$ 1,259,782</u>	<u>\$ 542,168</u>	<u>\$ 213,035</u>	<u>\$ (146,267)</u>	<u>\$ 1,868,718</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, 2016**

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

	<b>Business-type Activities</b>				<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Industrial Sewer</b>	<b>Building Official</b>	
<b>Operating Activities</b>					
Receipts from customers	\$ 1,076,006	\$ 847,321	\$ 65,363	\$ 187,000	\$ 2,175,690
Payments for maintenance and operations	(271,675)	(354,686)	(20,185)	(37,380)	(683,926)
Payments to employee compensation	(414,005)	(303,108)	(33,470)	(81,200)	(831,783)
Net cash provided (used)	<u>390,326</u>	<u>189,527</u>	<u>11,708</u>	<u>68,420</u>	<u>659,981</u>
<b>Noncapital Financing Activities</b>					
Internal loan proceeds (repayments)	31,421	(41,346)	-	(70,118)	(80,043)
Net cash provided (used)	<u>31,421</u>	<u>(41,346)</u>	<u>-</u>	<u>(70,118)</u>	<u>(80,043)</u>
<b>Capital and Related Financing Activities</b>					
Loan proceeds	402,412	-	-	-	402,412
Purchase of capital assets	(550,550)	-	-	-	(550,550)
Net cash provided (used)	<u>(148,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,138)</u>
<b>Investing Activities</b>					
Investment earnings	1,158	382	372	229	2,141
Net cash provided (used)	<u>1,158</u>	<u>382</u>	<u>372</u>	<u>229</u>	<u>2,141</u>
Net Increase (Decrease) in Cash	274,767	148,563	12,080	(1,469)	433,941
Cash and Investments - beginning	52,484	-	50,975	-	103,459
Cash and Investments - end of year	<u>\$ 327,251</u>	<u>\$ 148,563</u>	<u>\$ 63,055</u>	<u>\$ (1,469)</u>	<u>\$ 537,400</u>
<b>Operating Activities Analysis</b>					
Operating Income (Loss) - page 11	\$ 51,909	\$ (3,570)	\$ (16,228)	\$ 66,609	\$ 98,720
Reconciliation adjustments:					
Depreciation, a noncash expense	48,125	36,804	14,715	-	99,644
(Increase) decrease in receivables	(3,150)	(646)	11,036	-	7,240
(Increase) decrease in prepaid expenses	35,340	26,004	2,185	-	63,529
Increase (decrease) in liabilities	258,102	130,935	-	1,811	390,848
Net cash provided (used)	<u>\$ 390,326</u>	<u>\$ 189,527</u>	<u>\$ 11,708</u>	<u>\$ 68,420</u>	<u>\$ 659,981</u>

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

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2016**

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 - Risk Management
- Note 7 - Capital Assets
- Note 8 - Payables
- Note 9 - Interfund Transactions
- Note 10 - Long-term Obligations
- Note 11 - Postemployment Benefits Other Than Pensions
- Note 12 - Subsequent Events
- Note 13 - Commitments and Contingencies
- Note 14 - Prior Period Adjustment
- Note 15 - Defined Benefit Pension Plan
- Note 16 - Future Accounting Pronouncements
- Note 17 - Fund Balance Designations Section of the Balance Sheet



**CITY OF ORLAND**  
**Notes to Financial Statements**  
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**Note 1 - Defining the Financial Reporting Entity**

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

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

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

*Orland Volunteer Fire Department*

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

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

The City participates in a joint powers agency through a formally organized and separate entity agreement. The financial activities of the 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment taxes.

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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 Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Fund Types

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

- General Fund - the general fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of general long-term debt obligation payments for principal, interest and related costs.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital facilities.
- Proprietary Fund Types - proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The City's uses the following proprietary fund type:

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

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.

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**Notes to Financial Statements**  
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Basis of Accounting and Measurement Focus

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

The government-wide financial statements are 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) “loans to/from other

**CITY OF ORLAND**  
**Notes to Financial Statements**  
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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 program 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 method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer’s share of pension contributions or social security and medicare taxes have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. 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:

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

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable column on the statement of net position. For the most part, 75% of compensated absences are generally considered due after one year.

Net Position and Fund Balances

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

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

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

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

Pensions

In 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.

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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. 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

**CITY OF ORLAND**  
**Notes to Financial Statements**  
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current operations, are reported as non-operating revenue based on GASB Stmt. No. 33. In applying GASB Statement No. 33 to grant revenue, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Grant resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Operating income in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenue for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. Expenditures are recognized when the related fund liability is incurred.

**Note 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 2015-16, the City received 78% of its total general fund revenue from three sources; sales taxes (41%), property taxes (21%), and motor vehicle in-lieu state revenue (16%). Any reduction in assessed property values or disruption to the overall economy could affect the City's primary operating fund. In the event of such a downturn, the City may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level.

Revenue Limitations Imposed By California Proposition 218

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

Deficit Fund Balances

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

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STIP Papst Street	\$	21,751
CA BSCC grant		1,468
StreetScapes		10,457
Building Inspection fund		146,267
		179,943
	\$	179,943

**Note 4 - Cash and Investments**

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

Statement of Net Position		
Cash and investments	\$	3,751,770
Cash and Investments consist of the following:		
Deposits with financial institutions:		
Checking accounts	\$	1,184,169
Money market mutual funds		2,095,000
Fixed income: certificates of deposit		334,630
Mutual funds: US government obligations, bonds		132,442
Investment with Local Agency Investment Fund		5,529
		3,751,770
	\$	3,751,770

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$3,790,379 and the financial institution's account balances were \$3,653,675. The difference of \$136,704 represented outstanding checks and deposits in transit. Of the total demand deposit balances, \$750,000 was insured by the Federal Depository Insurance Corporation (FDIC) and \$3,040,379 was collateralized in accordance with California Government Code Section 53600 – 53609.

Investment Policy

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



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

Disclosures Relating to Interest Rate Risk

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds, 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	\$ 1,184,169	on demand	n/a	32%
Money market mutual funds	1,508,016	on demand	0.17%	40%
MetLife Securities:				
money market funds	586,984	on demand	0.01%	16%
certificates of deposit	334,630	2.75 months	3.49%	9%
mutual bond funds	132,442	on demand	1.86%	4%

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."

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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, 2016, PMIA had approximately \$75.4 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 5 - Receivables**

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

Governmental Activities:	
Property taxes	\$ 223,495
Sales taxes	319,959
Intergovernmental	943,195
Other	29,225
	<u>\$ 1,515,874</u>
Business-type Activities:	
Water utility customers	34,265
Sewer utility customers	33,532
	<u>\$ 67,797</u>

Notes receivable in the amount of \$5,925,821 consist of deferred repayment loans provided under the City housing and economic development department's affordable housing purchase and rehabilitation grant award programs. The loans are collateralized by deeds of trust on the purchased or improved properties. Repayment terms vary from 15 to 30 years. Some of the loans provide for accrued interest forgiveness under pre-determined contract guidelines.

**Note 6 - 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

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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.

**Note 7 - 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	\$ 125,395	\$ -	\$ 306,681
Deposit - fire truck purchase	-	220,000	-	220,000
Construction-in-progress	-	474,975	-	474,975
	<u>181,286</u>	<u>820,370</u>	<u>-</u>	<u>1,001,656</u>
<u>Depreciable Assets:</u>				
Buildings and infrastructure	6,290,269	7,728	-	6,297,997
Vehicles and equipment	1,247,674	167,544	-	1,415,218
	<u>7,537,943</u>	<u>175,272</u>	<u>-</u>	<u>7,713,215</u>
<u>Accumulated Depreciation</u>	<u>(1,990,616)</u>	<u>-</u>	<u>(304,281)</u>	<u>(2,294,897)</u>
	<u>5,547,327</u>	<u>175,272</u>	<u>(304,281)</u>	<u>5,418,318</u>
Total capital assets, net	<u>\$ 5,728,613</u>	<u>\$ 995,642</u>	<u>\$ (304,281)</u>	<u>\$ 6,419,974</u>

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

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<i>WATER UTILITY FUND</i>	Beginning Balance	Additions/ Completions	Retirements/ Dispositions	Ending Balance
<u><i>Non-depreciable Assets</i></u>				
Land	\$ -	\$ -	\$ -	\$ -
Construction-in-progress	-	550,550	-	550,550
	<u>-</u>	<u>550,550</u>	<u>-</u>	<u>550,550</u>
<u><i>Depreciable Assets:</i></u>				
System infrastructure, improvements & equipment	2,575,960	-	-	2,575,960
<u><i>Accumulated Depreciation</i></u>	<u>(1,503,998)</u>	<u>-</u>	<u>(48,125)</u>	<u>(1,552,123)</u>
Depreciable assets, net	<u>1,071,962</u>	<u>-</u>	<u>(48,125)</u>	<u>1,023,837</u>
Total capital assets, net	<u>\$ 1,071,962</u>	<u>\$ 550,550</u>	<u>\$ (48,125)</u>	<u>\$ 1,574,387</u>
<i>SEWER UTILITY FUND</i>				
<u><i>Non-depreciable Assets:</i></u>				
Land	\$ 8,580	\$ -	\$ -	\$ 8,580
<u><i>Depreciable Assets:</i></u>				
System infrastructure, improvements & equipment	1,718,607	-	-	1,718,607
<u><i>Accumulated Depreciation</i></u>	<u>(741,269)</u>	<u>-</u>	<u>(36,804)</u>	<u>(778,073)</u>
	<u>977,338</u>	<u>-</u>	<u>(36,804)</u>	<u>940,534</u>
Total capital assets, net	<u>\$ 985,918</u>	<u>\$ -</u>	<u>\$ (36,804)</u>	<u>\$ 949,114</u>
<i>INDUSTRIAL SEWER UTILITY</i>				
<u><i>Depreciable Assets:</i></u>				
System infrastructure, improvements & equipment	\$ 588,444	\$ -	\$ -	\$ 588,444
<u><i>Accumulated Depreciation</i></u>	<u>(433,558)</u>	<u>(14,715)</u>	<u>-</u>	<u>(448,273)</u>
Total capital assets, net	<u>\$ 154,886</u>	<u>\$ (14,715)</u>	<u>\$ -</u>	<u>\$ 140,171</u>

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*BUILDING OFFICIAL FUND*

Depreciable Assets:

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

**Note 8 - Payables**

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

Governmental Activities

Glenn County	\$	21,421
Construction projects		254,544
Planning consultants		11,656
Other vendors and suppliers		39,341
		<u>\$ 326,962</u>

Business-type Activities:

Water utility vendors	\$	41,835
Water well construction		105,614
Building inspection vendors		342
		<u>\$ 147,791</u>

**Note 9 - 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	\$	403,896
Water fund		451,457
		<u>\$ 855,353</u>

Due to Other Funds / Payables

General fund	\$	451,457
Water fund		18,926
Building inspection fund		148,074
Nonmajor grant funds		236,896
		<u>\$ 855,353</u>

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

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deferred. At June 30, 2016 the outstanding balance, including interest was \$451,457.

The City reports interfund transfers between many of its funds. Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts, to the debt service fund as debt service payments become due, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City accounts for its capital improvement and construction projects primarily through its special revenue funds. Such expenditures are primarily funded from general fund revenue, tax revenue, grants and developer impact fees. These transfers are reported in the fiscal period in which the transactions are approved and recorded.

The following table reports operating transfers by fund type:

<u>Fund type</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue - Economic grants funds	\$ 71,554	\$ 71,554

**Note 10 - Long-term Obligations**

The following summarizes changes 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	\$ 1,627,600	\$ -	\$ (249,100)	\$ 1,378,500	\$ 270,800
3CORE Inc. - land	-	115,000	(1,998)	113,002	8,145
Umpqua Bank - truck	-	105,481	(12,504)	92,977	13,776
Net pension liability	2,453,774	485,248	-	2,939,022	-
Net OPEB obligation	353,109	72,553	(106,443)	319,219	-
Compensated absences	144,448	59,423	-	203,871	50,968
	<u>\$ 4,578,931</u>	<u>\$ 837,705</u>	<u>\$ (370,045)</u>	<u>\$ 5,046,591</u>	<u>\$ 343,689</u>
 <u>Business-type Activities</u>					
Net pension liability	\$ 817,926	\$ 161,748	\$ -	\$ 979,674	\$ -
Net OPEB liability	-	106,443	-	106,443	-
State loan - well	-	402,413	-	402,413	-
Compensated absences	56,712	66,772	-	123,484	30,871
	<u>\$ 874,638</u>	<u>\$ 737,376</u>	<u>\$ -</u>	<u>\$ 1,612,014</u>	<u>\$ 30,871</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. Principal and interest payments are semi-annual. The bonds are secured by a pledge of general fund revenue.

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Future bond payment requirements consist of the following:

Year Ending June 30,	Pension Obligation Bonds		
	Principal	Interest	Total
2017	\$ 270,800	\$ 55,397	\$ 326,197
2018	293,600	44,017	337,617
2019	248,900	17,969	266,869
2020	145,100	23,322	168,422
2021	157,700	16,801	174,501
2022-2023	262,400	10,292	272,692
	<u>\$ 1,378,500</u>	<u>\$ 167,798</u>	<u>\$ 1,546,298</u>

3CORE Inc.

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

Future payment requirements consist of the following:

June 30,	Principal	Interest	Total
2017	\$ 8,145	\$ 3,278	\$ 11,423
2018	8,519	2,904	11,423
2019	8,778	2,645	11,423
2020	9,045	2,378	11,423
2021	9,320	2,103	11,423
2022-2026	49,170	6,078	55,248
2027-2029	20,025	1,837	21,862
	<u>\$ 113,002</u>	<u>\$ 21,223</u>	<u>\$ 134,225</u>

Umpqua Bank

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

Future payment requirements consist of the following:

Year Ending June 30,	Umpqua Bank		
	Principal	Interest	Total
2017	\$ 13,740	\$ 3,504	\$ 17,244
2018	14,340	2,904	17,244
2019	14,940	2,301	17,241
2020	15,528	1,716	17,244
2021	16,188	1,056	17,244
2022-2026	18,241	425	18,666
	<u>\$ 92,977</u>	<u>\$ 11,906</u>	<u>\$ 104,883</u>

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State Water Resources Control Board

Construction financing agreement dated March 2015 for a new water well, in an amount not to exceed \$1,160,268, unsecured. Repayment of principal is amortized over 30 years, with a zero interest rate. Principal payments will begin within one year of completion of the well, and are estimated at \$39,000 per year.

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 \$203,871 for governmental activities, and \$123,484 for business-type activities.

Operating Lease Obligation

Contract entered into on July 1, 2016 between the County of Glenn and the City of Orland to lease seven public safety vehicles for a one-year term, with an option to renew for 3 additional one-year terms. Monthly lease costs are based upon mileage depreciation, and operating and maintenance costs, which currently average \$7,000 per month for seven vehicles.

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

July 1, 2016 to June 30, 2017	\$	84,000
July 1, 2017 to June 30, 2018		84,000
July 1, 2018 to June 30, 2019		84,000
July 1, 2019 to June 30, 2020		84,000
		84,000
	\$	336,000

**Note 11 - 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

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

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



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Annual Required Contribution	\$	25,239
Interest on the net OPEB obligation		535
Adjustment to the Annual Required Contribution		(829)
Annual OPEB cost		24,945
Payments made		(18,593)
Increase in net OPEB obligation		6,352
Net OPEB obligation - beginning of year		26,735
Net OPEB obligation - end of year	\$	33,087

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, 2014	\$ 23,437	\$ 15,485	66%	\$ 18,860
June 30, 2015	\$ 23,360	\$ 15,485	66%	\$ 26,735
June 30, 2016	\$ 24,945	\$ 18,593	75%	\$ 33,087

**Funding Status and Funding Progress**

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was \$425,662, all of which is unfunded. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information, when available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

The following simplifying assumptions were made:

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

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

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

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*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* – 2015 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 2.5% 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 12 - Subsequent Events**

The management of the City has reviewed the results of operations for the period from its year end June 30, 2016 through January 2, 2017, the date the financial statements were available to be issued in “draft” form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 13 - 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, 2016, the City was in contract for several grant funded construction projects, which are expected to be completed in fiscal year 2016-17.

**Note 14 - Prior Period Adjustment**

A prior period adjustment of \$239,489 to the enterprise funds was made to adjust 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.

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**Note 15 - 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 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.

The Plan's provisions and benefits in effect at June 30, 2016, 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 the plan are

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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 Plan 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, 2016, employer pension plan contributions were \$413,224.

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

As of June 30, 2016, the City reported net pension liabilities for its Proportionate Share of the Net Pension Liability of the Plan in the amount of \$3,918,696 which represented 0.06372%.

The City's net pension liability of 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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures.

For the year ended June 30, 2016, the City recognized pension expense of \$354,923. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,371
Changes of assumptions	-	189,157
Differences between expected and actual earnings	-	95,326
Change in employer's proportion	108,343	7,585
Differences between expected and actual contributions	-	172,221
Contributions after the measurement date	413,224	-
Totals	<u>\$ 521,567</u>	<u>\$ 473,660</u>

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense as follows:

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,	
2016	\$ (178,424)
2017	(172,608)
2018	(133,801)
2019	119,515
	<u>\$ (365,318)</u>

***C. Actuarial Assumptions***

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The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 15.0% (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 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 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 7.65 percent investment return assumption used in this accounting valuation is gross of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return net of administrative expenses would be 7.50 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. 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 and will continue to check the materiality of the difference in calculation until such time as they have changed their 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 asset class. 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

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**June 30, 2016**

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.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. 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. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

Asset Class	New Strategic Allocation
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	100.00%

**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 unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Total Plan	\$ 6,406,065	\$ 3,918,696	\$ 1,870,538

**Note 16 - Future Accounting Pronouncements**

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

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*  
 Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*  
 Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*  
 Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2016**

*GASB Statement No. 79, Certain External Investment Pools and Pool Participants*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

*GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

*GASB Statement No. 77, Tax Abatement Disclosures*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

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

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

**CITY OF ORLAND**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 17 - Fund Balance Designations Section of the Balance Sheet**

<b>Fund Balances</b>	General Fund	Development Impact Fees Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>	\$ 403,896	\$ -	\$ -	\$ 403,896
<b>Restricted for:</b>				
DIF capital expenditures	-	1,862,369	-	1,862,369
Nomlaki Donation	-	-	14,812	14,812
Gas tax - streets/sidewalks	-	-	135,963	135,963
Transportation tax - streets	-	-	10,282	10,282
Assessment Districts maintenance	-	-	518,716	518,716
Library remodel/book purchases	-	-	94,994	94,994
Public safety grant funds - police dept	-	-	17,630	17,630
CDBG - grant reuse loan funds	-	-	374,096	374,096
Total restricted fund balances	-	1,862,369	1,166,493	3,028,862
<b>Committed to:</b>				
Fire dept apparatus replacement	2,491	-	-	2,491
Police equipment replacement	12,000	-	-	12,000
Public works equipment replacement	20,000	-	-	20,000
Total committed fund balances	34,491	-	-	34,491
<b>Assigned to:</b>				
State unemployment insurance	87,000	-	-	87,000
Community Center expenditures	-	-	1,315	1,315
Downtown signs	-	-	1,400	1,400
Arts Commission	-	-	66,231	66,231
Safety program	-	-	29,113	29,113
Total assigned fund balances	87,000	-	98,059	185,059
<b>Unassigned</b>	36,154	-	(45,442)	(9,288)
<b>Total Fund Balances</b>	<b>\$ 561,541</b>	<b>\$ 1,862,369</b>	<b>\$ 1,219,110</b>	<b>\$ 3,643,020</b>



**REQUIRED SUPPLEMENTARY INFORMATION**  
*(unaudited)*

**CITY OF ORLAND**  
**Required Supplementary Information**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Year Ended June 30, 2016**

Schedule of Proportionate Share of the Net Pension Liability

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

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

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

Schedule of Contributions

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

**CITY OF ORLAND**  
**Required Supplementary Information**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Last 2 Fiscal Years \***

	2016	2015
<u>Schedule of the City's Proportionate Share of the Net Pension Liability</u>		
City's proportion of the net pension liability	0.064%	0.051%
City's proportionate share of the net pension liability	\$ 3,918,696	\$ 3,151,345
City's covered-employee payroll	\$ 1,740,811	\$ 1,851,123
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	225%	170%
Plan fiduciary net position as a percentage of the total pension liability	89%	82%

\* the amounts presented for each fiscal year were determined as of the June 30, 2015 measurement date.

Schedule of the City's Contributions

Contractually required employer contribution	\$ 222,057	\$ 294,491
Contributions in relation to the contractually required employer contribution	222,057	294,491
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,740,811	\$ 1,851,123
Contributions as a percentage of covered-employee payroll	12.76%	15.91%

**CITY OF ORLAND**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits Plan**  
**As of June 30, 2016**

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%
June 30, 2016	\$ 425,772	\$ -	\$ 425,662	0%	\$ 773,766	55.0%

**CITY OF ORLAND**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedule**  
**Year Ended June 30, 2016**

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**  
**Budgetary Comparison Information**  
**General Fund**  
**Year Ended June 30, 2016**

<b>Resources (Inflows)</b>	<b>Budgeted Amounts (unaudited)</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
Property taxes	\$ 836,276	\$ 836,276	\$ 789,533	\$ (46,743)
Sales taxes	1,167,746	1,167,746	1,518,643	350,897
Motor vehicle in-lieu	585,016	585,016	586,845	1,829
Franchise taxes	125,000	125,000	115,967	(9,033)
Transient occupancy taxes	46,000	46,000	54,449	8,449
Licenses, fees & fines	20,000	20,000	19,489	(511)
Fines and forfeitures	34,000	34,000	32,943	(1,057)
Glenn County Library support	64,800	64,800	64,799	(1)
City of Willows Library support	-	-	83,610	83,610
Real property transfer tax	15,000	15,000	18,239	3,239
HOPTR	10,000	10,000	8,557	(1,443)
Charge for services	139,500	139,500	121,535	(17,965)
Use of money and property	48,000	48,000	49,584	1,584
Administrative allocation	220,000	220,000	220,000	-
Other revenue	8,000	8,000	13,782	5,782
Amounts Available for Appropriation	<u>3,319,338</u>	<u>3,319,338</u>	<u>3,697,975</u>	<u>378,637</u>
<b>Charges to Appropriations (Outflows)</b>				
5010 City Council	37,801	37,801	40,046	(2,245)
5050 City Manager	195,598	195,598	205,904	(10,306)
5020 City Clerk	101,854	101,854	101,362	492
5030 City Finance	99,705	99,705	118,646	(18,941)
5040 City Attorney	59,644	59,644	49,558	10,086
5070 City Building	-	-	3,091	(3,091)
Code Enforcement	-	-	37,649	(37,649)
5090 Public works	-	-	7,757	(7,757)
5060 City Planning	90,044	90,044	124,130	(34,086)
5110 City Police	1,858,172	1,858,172	1,933,751	(75,579)
5120 City Fire	127,070	127,070	114,323	12,747
5160 City Engineer	33,986	33,986	75,664	(41,678)
5170 Streets and storm drains	40,426	40,426	46,325	(5,899)
5190 Building maintenance	81,371	81,371	87,053	(5,682)
5200 City Library	313,843	313,843	327,846	(14,003)
5250 City Park Maintenance	89,485	89,485	132,774	(43,289)
5260 City Recreation	252,876	252,876	244,309	8,567
5261 City Pool maintenance	-	-	56,431	(56,431)
6261 Grants administration	825	825	3,305	(2,480)
Capital improvements	-	-	10,395	(10,395)
Fire truck purchase	-	220,000	220,000	-
Other	-	-	42,619	(42,619)
Total Charges to Appropriations	<u>3,382,700</u>	<u>3,602,700</u>	<u>3,982,938</u>	<u>(327,224)</u>
<b>Surplus (Deficit)</b>	<u>\$ (63,362)</u>	<u>\$ (283,362)</u>	<u>\$ (284,963)</u>	<u>\$ 51,413</u>

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF ORLAND**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Gasoline	Transportation	STIP	Assessment	Community	CA BSCC	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	Totals
	Tax	Tax	Papst	Districts	Center	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Department	& Block	
<b>ASSETS</b>													Grants	Grants	
Cash and investments	\$ 49,729	\$ 10,282	\$ -	\$ 495,118	\$ 1,315	\$ -	\$ 1,400	\$ 66,231	\$ 14,812	\$ 1	\$ 29,113	\$ 94,994	\$ 5,864	\$ 440,095	\$ 1,208,954
Receivables	86,234	-	422,856	23,598	-	-	-	-	-	-	-	-	-	410,507	943,195
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	5,925,821	5,925,821
<b>Total Assets</b>	<b>\$ 135,963</b>	<b>\$ 10,282</b>	<b>\$ 422,856</b>	<b>\$ 518,716</b>	<b>\$ 1,315</b>	<b>\$ -</b>	<b>\$ 1,400</b>	<b>\$ 66,231</b>	<b>\$ 14,812</b>	<b>\$ 1</b>	<b>\$ 29,113</b>	<b>\$ 94,994</b>	<b>\$ 5,864</b>	<b>\$ 6,776,423</b>	<b>\$ 8,077,970</b>
<b>LIABILITIES</b>															
Payables	\$ -	\$ -	\$ 275,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,320	\$ -	\$ -	\$ -	\$ -	\$ 285,636
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	6,336,328	6,336,328
Internal loans	-	-	169,291	-	-	1,468	-	-	-	138	-	-	-	65,999	236,896
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>444,607</b>	<b>-</b>	<b>-</b>	<b>1,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,402,327</b>	<b>6,858,860</b>
<b>FUND BALANCES</b>															
Restricted	135,963	10,282	-	518,716	-	-	-	-	14,812	-	-	94,994	17,630	374,096	1,166,493
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	1,315	-	1,400	66,231	-	-	29,113	-	-	-	98,059
Unassigned	-	-	(21,751)	-	-	(1,468)	-	-	-	(10,457)	-	-	(11,766)	-	(45,442)
<b>Total Fund Balances</b>	<b>135,963</b>	<b>10,282</b>	<b>(21,751)</b>	<b>518,716</b>	<b>1,315</b>	<b>(1,468)</b>	<b>1,400</b>	<b>66,231</b>	<b>14,812</b>	<b>(10,457)</b>	<b>29,113</b>	<b>94,994</b>	<b>5,864</b>	<b>374,096</b>	<b>1,219,110</b>
<b>Total Liabilities and</b>	<b>\$ 135,963</b>	<b>\$ 10,282</b>	<b>\$ 422,856</b>	<b>\$ 518,716</b>	<b>\$ 1,315</b>	<b>\$ -</b>	<b>\$ 1,400</b>	<b>\$ 66,231</b>	<b>\$ 14,812</b>	<b>\$ 1</b>	<b>\$ 29,113</b>	<b>\$ 94,994</b>	<b>\$ 5,864</b>	<b>\$ 6,776,423</b>	<b>\$ 8,077,970</b>



**CITY OF ORLAND**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Year Ended June 30, 2016**

	Gasoline	Transportation	STIP	Assessment	Community	CA BSCC	Downtown	Arts	Nomlaki	Street	Safety	Library	Police	Economic	Totals
	Tax	Tax	Papst	Districts	Center	Grant	Signs	Commission	Donation	Scapes	Fund	Funds	Department	& Block	
<b>REVENUE</b>													Grants	Grants	
Intergovernmental revenue	\$ 255,118	\$ -	\$ 442,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,128	\$ -	\$ 821,015
Charge for services	-	-	-	81,391	-	-	400	36,243	-	-	-	7,248	-	-	125,282
Investment earnings	743	63	-	3,029	-	-	-	-	-	-	-	-	15	1,621	5,471
Other revenue	-	-	-	-	-	-	-	-	20,000	-	22,767	-	15,653	93,940	152,360
<b>Total Revenue</b>	<b>255,861</b>	<b>63</b>	<b>442,769</b>	<b>84,420</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>36,243</b>	<b>20,000</b>	<b>-</b>	<b>22,767</b>	<b>7,248</b>	<b>138,796</b>	<b>95,561</b>	<b>1,104,128</b>
<b>EXPENDITURES</b>															
Current -															
General government	-	-	-	-	-	-	-	-	-	-	19,983	-	-	-	19,983
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-	536	536
Public safety	-	-	-	-	-	1,468	-	-	5,188	-	-	-	151,731	-	158,387
Public works and streets	384,370	-	-	88,939	-	-	-	-	-	10,457	-	-	-	-	483,766
Library and Arts	-	-	-	-	-	-	-	3,697	-	-	-	9,090	-	-	12,787
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	464,520	-	-	-	-	-	-	-	-	-	-	-	464,520
<b>Total Expenditures</b>	<b>384,370</b>	<b>-</b>	<b>464,520</b>	<b>88,939</b>	<b>-</b>	<b>1,468</b>	<b>-</b>	<b>3,697</b>	<b>5,188</b>	<b>10,457</b>	<b>19,983</b>	<b>9,090</b>	<b>151,731</b>	<b>536</b>	<b>1,139,979</b>
Revenue over (under)															
Expenditures	(128,509)	63	(21,751)	(4,519)	-	(1,468)	400	32,546	14,812	(10,457)	2,784	(1,842)	(12,935)	95,025	(35,851)
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	71,554	71,554
Transfers (out)	-	-	-	-	-	-	-	-	-	-	-	-	-	(71,554)	(71,554)
<b>CHANGE IN FUND</b>															
<b>BALANCES</b>	(128,509)	63	(21,751)	(4,519)	-	(1,468)	400	32,546	14,812	(10,457)	2,784	(1,842)	(12,935)	95,025	(35,851)
Fund Balance - beginning	264,472	10,219	-	523,235	1,315	-	1,000	33,685	-	-	26,329	96,836	18,799	279,071	1,254,961
Fund Balance - end of year	<u>\$ 135,963</u>	<u>\$ 10,282</u>	<u>\$ (21,751)</u>	<u>\$ 518,716</u>	<u>\$ 1,315</u>	<u>\$ (1,468)</u>	<u>\$ 1,400</u>	<u>\$ 66,231</u>	<u>\$ 14,812</u>	<u>\$ (10,457)</u>	<u>\$ 29,113</u>	<u>\$ 94,994</u>	<u>\$ 5,864</u>	<u>\$ 374,096</u>	<u>\$ 1,219,110</u>

