

CITY OF BIGGS,

CALIFORNIA

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

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**CITY OF BIGGS, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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**CITY OF BIGGS, CALIFORNIA
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 FOR THE YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION

City Officials

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**CITY OF BIGGS, CALIFORNIA
CITY OFFICIAL
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Name</u> | <u>Office</u> |
|-----------------|---------------|
| Roger L. Frith | Mayor |
| James Sheppard | Vice-Mayor |
| Douglas Arnold | Member |
| John Busch | Member |
| Angela Thompson | Member |

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FINANCIAL SECTION

**Independent Auditor's Report
Basic Financial Statements
Required Supplementary Information
Combining Nonmajor Fund Statements**

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Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the City Council
City of Biggs
Biggs, California

Report On the Financial Statements

I have audited the accompanying consolidated financial statements of City of Biggs (the City), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1438 Oregon Street, P.O. Box 994508 Redding, CA 96099-4508 (530) 246-2834 fax (530) 244-0331

The Honorable Mayor and Members of the City Council
City of Biggs
Biggs, California

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the City of Biggs as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information and budgetary comparison information on pages 40 through 42 be presented to supplement the basic financial statements. Such 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Management has elected to omit the Management Discussion and Analysis.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biggs, California's basic financial statements. The introductory section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

The Honorable Mayor and Members of the City Council
City of Biggs
Biggs, California

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 23, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and the combining non-major fund statements, unaudited, on pages 44 through 56 are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Donald R. Reynolds, CPA
Redding, California
March 23, 2015

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2014

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,352,072 | \$ 2,705,633 | \$ 4,057,705 |
| Accounts receivable (net of allowance) | 25,160 | 485,185 | 510,345 |
| Due from other governmental agencies | 528,340 | - | 528,340 |
| Interest receivable | 1,851 | - | 1,851 |
| Internal balances | (202,208) | 202,208 | - |
| Prepaid power | - | - | - |
| Loans receivable | 886,328 | - | 886,328 |
| Capital assets: | | | |
| Non-depreciable | 792,195 | 528,234 | 1,320,429 |
| Depreciable, net | <u>3,479,195</u> | <u>6,616,402</u> | <u>10,095,597</u> |
| Total capital assets | <u>4,271,390</u> | <u>7,144,636</u> | <u>11,416,026</u> |
| Total Assets | \$ <u>6,862,933</u> | \$ <u>10,537,662</u> | \$ <u>17,400,595</u> |
| LIABILITIES | | | |
| Accounts payable | 287,285 | 85,672 | 372,957 |
| Accrued salaries and benefits | 3,379 | - | 3,379 |
| Retention payable | - | - | - |
| Accrued interest payable | 3,200 | 44,738 | 47,938 |
| Deposits payable | - | 85,396 | 85,396 |
| Unearned revenue | 886,348 | - | 886,348 |
| OPEB Liability | 3,160 | 9,150 | 12,310 |
| Compensated absenses | | | |
| Due within one year | 8,443 | 23,814 | 32,257 |
| Due in more than one year | 10,255 | 18,806 | 29,061 |
| Long-term liabilities: | | | |
| Due within one year | 4,000 | 75,200 | 79,200 |
| Due in more than one year | <u>252,000</u> | <u>4,149,998</u> | <u>4,401,998</u> |
| Total Liabilities | <u>1,458,070</u> | <u>4,492,774</u> | <u>5,950,844</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 4,015,390 | 2,919,438 | 6,934,828 |
| Restricted for: | | | |
| Grants, taxes, and fees | - | - | - |
| Energy scheduling services | - | 786,547 | 786,547 |
| Unrestricted | <u>1,389,513</u> | <u>2,338,903</u> | <u>3,728,416</u> |
| Total Net Position | \$ <u>5,404,903</u> | \$ <u>6,044,888</u> | \$ <u>11,449,791</u> |

The notes to the basic financial statements are an integral part of this statement.

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | |
|----------------------------------|---------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Governmental activities: | | | |
| General government | \$ 332,390 | \$ 40,350 | \$ - |
| Public ways and facilities | 364,159 | 49,022 | 156,240 |
| Public protection | 292,710 | 1,556 | 111,753 |
| Culture and recreation | 60,457 | - | - |
| Community development | 7,964 | 13,905 | - |
| Interest on long-term debt | 17,000 | - | - |
| Total Governmental Activities | <u>1,074,680</u> | <u>104,833</u> | <u>267,993</u> |
| Business-type activities: | | | |
| Sewer | 360,018 | 468,008 | - |
| Electric | 2,199,055 | 2,554,487 | - |
| Water | 453,050 | 445,343 | - |
| Solid Waste | 154,534 | 158,820 | - |
| Total Business-Type Activities | <u>3,166,657</u> | <u>3,626,658</u> | <u>-</u> |
| Total | \$ <u>4,241,337</u> | \$ <u>3,731,491</u> | \$ <u>267,993</u> |

General revenues:

Taxes:
Property taxes
Sales and use taxes
Franchise taxes
Property transfer taxes
Grants and contributions - unrestricted
Interest and investment earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior period adjustment

Net Position - Beginning, Restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

| <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| \$ - | \$ (292,040) | \$ - | \$ (292,040) |
| 580,646 | 421,749 | - | 421,749 |
| - | (179,401) | - | (179,401) |
| - | (60,457) | - | (60,457) |
| - | 5,941 | - | 5,941 |
| - | (17,000) | - | (17,000) |
| <u>580,646</u> | <u>(121,208)</u> | <u>-</u> | <u>(121,208)</u> |
| - | - | 107,990 | 107,990 |
| - | - | 355,432 | 355,432 |
| - | - | (7,707) | (7,707) |
| - | - | 4,286 | 4,286 |
| - | - | 460,001 | 460,001 |
| <u>\$ 580,646</u> | <u>(121,208)</u> | <u>460,001</u> | <u>338,793</u> |
| | 138,886 | - | 138,886 |
| | 30,119 | - | 30,119 |
| | 13,485 | - | 13,485 |
| | 2,609 | - | 2,609 |
| | 171,730 | 280,768 | 452,498 |
| | 7,762 | 45,948 | 53,710 |
| | 60,963 | 48,570 | 109,533 |
| | <u>336,504</u> | <u>(336,504)</u> | <u>-</u> |
| | <u>762,058</u> | <u>38,782</u> | <u>800,840</u> |
| | <u>640,850</u> | <u>498,783</u> | <u>1,139,633</u> |
| | 4,441,185 | 5,546,105 | 9,987,290 |
| | <u>322,868</u> | <u>-</u> | <u>322,868</u> |
| | <u>4,764,053</u> | <u>5,546,105</u> | <u>10,310,158</u> |
| | <u>\$ 5,404,903</u> | <u>\$ 6,044,888</u> | <u>\$ 11,449,791</u> |

The notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

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CITY OF BIGGS, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| ASSETS | General Fund | Other Governmental Funds | Total |
|--|-------------------------|---|---------------------|
| Cash and investments | \$ 874,472 | \$ 477,600 | \$ 1,352,072 |
| Accounts receivable (net of allowance) | 4,539 | 20,621 | 25,160 |
| Due from other governmental agencies | 37,275 | 491,065 | 528,340 |
| Interest receivable | 1,851 | - | 1,851 |
| Due from other funds | - | - | - |
| Loans receivable | - | 886,328 | 886,328 |
| Total Assets | <u>\$ 918,137</u> | <u>\$ 1,875,614</u> | <u>\$ 2,793,751</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 41,737 | \$ 245,548 | \$ 287,285 |
| Accrued salaries and benefits | 3,379 | - | 3,379 |
| Deposits payable | - | - | - |
| Due to other funds | - | 202,208 | 202,208 |
| Unearned revenue | - | 886,348 | 886,348 |
| Total Liabilities | <u>45,116</u> | <u>1,334,104</u> | <u>1,379,220</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Loans receivable | - | - | - |
| Unreserved, reported in: | | | |
| General fund | - | - | - |
| Designated | - | - | - |
| Undesignated | 390,422 | - | 390,422 |
| Special revenue funds Undesignated | <u>482,599</u> | <u>541,510</u> | <u>1,024,109</u> |
| Total Fund Balances | <u>873,021</u> | <u>541,510</u> | <u>1,414,531</u> |
| Total Liabilities and Fund Balances | <u>\$ 918,137</u> | <u>\$ 1,875,614</u> | <u>\$ 2,793,751</u> |

CITY OF BIGGS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2014

| | |
|---|----------------------------|
| Total Fund Balance - Total Governmental Funds | \$ 1,414,531 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets. | 4,271,390 |
| Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. | |
| Loans payable | (256,000) |
| Interest payable | (3,200) |
| OPEB liability | (3,160) |
| Compensated absences | <u>(18,698)</u> |
| Net Position of Governmental Activities: | \$ <u><u>5,404,863</u></u> |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| REVENUES | General Fund | Other Governmental Funds | Total |
|--|-------------------------|---|---------------------|
| Taxes and assessments | \$ 136,138 | \$ 85,172 | \$ 221,310 |
| Licenses and permits | 8,177 | - | 8,177 |
| Fines and forfeitures | 240 | - | 240 |
| Use of money | 1,726 | 558 | 2,284 |
| Intergovernmental | 320,908 | 669,257 | 990,165 |
| Charges for services | 24,447 | 10,665 | 35,112 |
| Other revenues | 91,220 | 3,652 | 94,872 |
| Total Revenues | <u>582,856</u> | <u>769,304</u> | <u>1,352,160</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 296,344 | - | 296,344 |
| Public ways and facilities | 89,833 | 234,835 | 324,668 |
| Public protection | 260,967 | - | 260,967 |
| Culture and recreation | 53,901 | - | 53,901 |
| Community development | - | 7,100 | 7,100 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and other charges | 16,950 | - | 16,950 |
| Capital outlay | 33,981 | 283,930 | 317,911 |
| Total Expenditures | <u>751,976</u> | <u>525,865</u> | <u>1,277,841</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(169,120)</u> | <u>243,439</u> | <u>74,319</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 304,324 | 72,900 | 377,224 |
| Transfers out | (14,400) | (26,320) | (40,720) |
| Total Other Financing Sources (Uses) | <u>289,924</u> | <u>46,580</u> | <u>336,504</u> |
| Net Change in Fund Balances | <u>120,804</u> | <u>290,019</u> | <u>410,823</u> |
| Fund Balances - Beginning | 752,217 | \$ 251,491 | \$ 1,003,708 |
| Fund Balances - Ending | <u>\$ 873,021</u> | <u>\$ 541,510</u> | <u>\$ 1,414,531</u> |

**CITY OF BIGGS, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVI
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds. \$ 410,823

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

Governmental funds report capital outlays as expenditures. However, in the statement of
activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

| | |
|---------------------------------|-----------|
| Expenditures for capital outlay | 317,911 |
| Depreciation expense | (114,700) |

Debt proceeds provide current financial resources to governmental funds, but issuing
debt increases long-term liabilities in the statement of Net Position. Repayment of
principal is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of Net Position.

| | |
|-----------------------|---|
| Principal retirements | - |
|-----------------------|---|

Some revenues reported in the statement of activities will not be collected for several
months after the City's year end and do not provide current financial resources and
therefore are not reported as revenues in the governmental funds.

| | |
|-------------------------------|--------|
| Change in accounts receivable | 28,365 |
| Change in deferred revenue | - |

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the
governmental funds.

| | |
|--|---------|
| Change in OPEB liability | - |
| Change in compensated absences | (1,500) |
| Change in accrued interest on long-term debt | (50) |

| | |
|---|-------------------|
| Change In Net Position of Governmental Activities | \$ <u>640,849</u> |
|---|-------------------|

The notes to the basic financial statements
are an integral part of this statement.

CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

| | Business-Type Activities - | |
|---|-----------------------------------|---------------------|
| | Sewer | Electric |
| ASSETS | | |
| Current Assets | | |
| Cash and investments | \$ 273,080 | \$ 2,193,205 |
| Accounts receivable (net of allowance) | 72,448 | 296,397 |
| Due from other funds | - | 638,358 |
| Prepaid power | - | - |
| Total Current Assets | <u>345,528</u> | <u>3,127,960</u> |
| Noncurrent Assets | | |
| Capital assets: | | |
| Non-depreciable | 521,076 | 7,158 |
| Depreciable, net | <u>944,036</u> | <u>801,887</u> |
| Total Noncurrent Assets | <u>1,465,112</u> | <u>809,045</u> |
| Total Assets | <u>\$ 1,810,640</u> | <u>\$ 3,937,005</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 44,948 | \$ 31,756 |
| Accrued interest payable | 6,668 | - |
| Retention payable | - | - |
| Deposits payable | - | 85,396 |
| Due to other funds | 436,149 | - |
| Unearned revenue | - | - |
| Compensated absences | 6,417 | 5,296 |
| Loans payable | <u>12,100</u> | <u>-</u> |
| Total Current Liabilities | <u>506,282</u> | <u>122,448</u> |
| Noncurrent Liabilities | | |
| Compensated absences | 6,783 | 9,422 |
| OPEB liability | 3,278 | 2,932 |
| Loans payable | <u>868,098</u> | <u>-</u> |
| Total Noncurrent Liabilities | <u>878,159</u> | <u>12,354</u> |
| Total Liabilities | <u>1,384,441</u> | <u>134,802</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 584,914 | 809,045 |
| Restricted for: | | |
| Energy scheduling services | - | 786,547 |
| Unrestricted | <u>(158,715)</u> | <u>2,206,611</u> |
| Total Net Position | <u>\$ 426,199</u> | <u>\$ 3,802,203</u> |

| Enterprise Funds | | |
|-------------------------|---------------------------------------|----------------------|
| Water | Other Enterprise Funds | Total |
| \$ 232,954 | \$ 6,394 | \$ 2,705,633 |
| 90,317 | 26,022 | 485,184 |
| - | - | 638,358 |
| - | - | - |
| <u>323,271</u> | <u>32,416</u> | <u>3,829,175</u> |
| - | - | 528,234 |
| <u>4,870,479</u> | <u>-</u> | <u>6,616,402</u> |
| <u>4,870,479</u> | <u>-</u> | <u>7,144,636</u> |
| \$ <u>5,193,750</u> | \$ <u>32,416</u> | \$ <u>10,973,811</u> |
| | | |
| \$ 8,422 | \$ 546 | \$ 85,672 |
| 38,070 | - | 44,738 |
| - | - | - |
| - | - | 85,396 |
| - | - | 436,149 |
| - | - | - |
| 12,101 | - | 23,814 |
| 63,100 | - | 75,200 |
| <u>121,693</u> | <u>546</u> | <u>750,969</u> |
| 965 | 1,636 | 18,806 |
| 2,650 | 290 | 9,150 |
| <u>3,281,900</u> | <u>-</u> | <u>4,149,998</u> |
| <u>3,285,515</u> | <u>1,926</u> | <u>4,177,954</u> |
| <u>3,407,208</u> | <u>2,472</u> | <u>4,928,923</u> |
| | | |
| 1,525,479 | - | 2,919,438 |
| - | - | 786,547 |
| <u>261,063</u> | <u>29,944</u> | <u>2,338,903</u> |
| \$ <u>1,786,542</u> | \$ <u>29,944</u> | \$ <u>6,044,888</u> |

The notes to the basic financial statements are an integral part of this statement.

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Business-Type Activities -

| | <u>Sewer</u> | <u>Electric</u> |
|--|-------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 468,008 | \$ 2,554,487 |
| Total Operating Revenues | <u>468,008</u> | <u>2,554,487</u> |
| OPERATING EXPENSES | | |
| Personnel costs | 138,973 | 144,841 |
| Utilities | 6,605 | - |
| Supplies | 61,736 | 14,869 |
| Maintenance and operations | 75,469 | 333,472 |
| Contractual services | 3,318 | 1,598,565 |
| Depreciation | 40,138 | 47,571 |
| Other expense | 6,639 | 59,737 |
| Total Operating Expenses | <u>332,878</u> | <u>2,199,055</u> |
| Operating Income (Loss) | <u>135,130</u> | <u>355,432</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 2,851 | 36,492 |
| Intergovernmental revenues | 259,899 | 20,869 |
| Other revenues | 200 | 29,808 |
| Interest expense | (27,140) | - |
| Total Non-Operating Revenues (Expenses) | <u>235,810</u> | <u>87,169</u> |
| Income (Loss) Before Transfers | <u>370,940</u> | <u>442,601</u> |
| Transfers in | 70,000 | 58,934 |
| Transfers out | (70,000) | (387,438) |
| Change in Net Position | <u>370,940</u> | <u>114,097</u> |
| Total Net Position - Beginning | 55,259 | 3,688,106 |
| Total Net Position - Ending | \$ <u>426,199</u> | \$ <u>3,802,203</u> |

| Enterprise Funds | | |
|-------------------------|-----------------------------|---------------------|
| Other | | |
| Water | Enterprise Funds | Total |
| \$ 445,343 | \$ 158,820 | \$ 3,626,658 |
| <u>445,343</u> | <u>158,820</u> | <u>3,626,658</u> |
| 125,783 | 14,775 | 424,372 |
| 7,964 | - | 14,569 |
| 21,343 | - | 97,948 |
| 26,968 | 5,474 | 441,383 |
| 6,066 | 134,031 | 1,741,980 |
| 107,300 | - | 195,009 |
| 8,159 | 254 | 74,789 |
| <u>303,583</u> | <u>154,534</u> | <u>2,990,050</u> |
| <u>141,760</u> | <u>4,286</u> | <u>636,608</u> |
| 4,626 | 1,979 | 45,948 |
| - | - | 280,768 |
| 18,537 | 25 | 48,570 |
| (149,467) | - | (176,607) |
| <u>(126,304)</u> | <u>2,004</u> | <u>198,679</u> |
| <u>15,456</u> | <u>6,290</u> | <u>835,287</u> |
| 120,000 | - | 248,934 |
| (120,000) | (8,000) | (585,438) |
| <u>15,456</u> | <u>(1,710)</u> | <u>498,783</u> |
| 1,771,086 | 31,654 | 5,546,105 |
| \$ <u>1,786,542</u> | \$ <u>29,944</u> | \$ <u>6,044,888</u> |

The notes to the basic financial statements are an integral part of this statement.

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Business-Type Activities - Enterprise Funds | | |
|--|--|---------------------|-------------------|
| | <u>Sewer</u> | <u>Electric</u> | <u>Water</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 449,712 | \$ 2,563,560 | \$ 429,815 |
| Payments to suppliers | (148,243) | (1,989,533) | (66,976) |
| Payments to employees | (137,808) | (142,965) | (124,730) |
| Net Cash Provided (Used) by Operating Activities | <u>163,661</u> | <u>431,062</u> | <u>238,109</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Grants and other receipts | 259,899 | 50,677 | - |
| Transfers to other funds | - | (328,504) | - |
| Interfund loans repaid | (137,653) | 88,233 | - |
| Interfund loans received | - | - | (20,986) |
| Interfund loans made | - | - | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>122,246</u> | <u>(189,594)</u> | <u>(20,986)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (287,756) | (1) | - |
| Principal paid on capital debt | 246,798 | - | (50,000) |
| Interest paid on capital debt | (27,390) | - | (148,532) |
| Net Cash Provided (Used) for Capital and Related Financing Activities | <u>(68,348)</u> | <u>(1)</u> | <u>(198,532)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends and other | 3,301 | 36,492 | 23,163 |
| Net Cash Provided (Used) by Investing Activities | <u>3,301</u> | <u>36,492</u> | <u>23,163</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 220,860 | 277,959 | 41,754 |
| Balances - Beginning of the Year | 52,220 | 1,915,246 | 191,200 |
| Balances - End of the Year | <u>\$ 273,080</u> | <u>\$ 2,193,205</u> | <u>\$ 232,954</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 135,130 | \$ 355,432 | \$ 141,760 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 40,138 | 47,571 | 107,300 |
| Decrease (increase) in: | - | - | - |
| Accounts receivable | (18,296) | 9,073 | (15,528) |
| Prepaid power | - | - | - |
| Increase (decrease) in: | - | - | - |
| Accounts payable | 5,773 | 14,674 | 3,524 |
| Deposits payable | (250) | 2,436 | - |
| Unearned revenue | - | - | - |
| Compensated absences | 1,165 | 1,876 | 1,053 |
| OPEB liability | 1 | - | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 163,661</u> | <u>\$ 431,062</u> | <u>\$ 238,109</u> |

The notes to the basic financial statements are an integral part of this statement.

| <u>Other</u> <u>Enterprise</u> <u>Funds</u> | <u>Total</u> |
|---|----------------------------|
| \$ 159,524 | \$ 3,602,611 |
| (139,716) | (2,344,468) |
| <u>(14,654)</u> | <u>(420,157)</u> |
| <u>5,154</u> | <u>837,986</u> |
| - | 310,576 |
| (8,000) | (336,504) |
| - | (49,420) |
| - | (20,986) |
| <u>-</u> | <u>-</u> |
| <u>(8,000)</u> | <u>(96,334)</u> |
| - | (287,757) |
| - | 196,798 |
| <u>-</u> | <u>(175,922)</u> |
| <u>-</u> | <u>-</u> |
| <u>-</u> | <u>(266,881)</u> |
| <u>2,004</u> | <u>64,960</u> |
| <u>2,004</u> | <u>64,960</u> |
| (842) | 539,731 |
| <u>7,236</u> | <u>2,165,902</u> |
| \$ <u><u>6,394</u></u> | \$ <u><u>2,705,633</u></u> |
| \$ 4,286 | \$ 636,608 |
| - | 195,009 |
| - | - |
| 704 | (24,047) |
| - | - |
| - | - |
| 44 | 24,015 |
| - | 2,186 |
| - | - |
| 121 | 4,215 |
| <u>(1)</u> | <u>-</u> |
| \$ <u><u>5,154</u></u> | \$ <u><u>837,986</u></u> |

The notes to the basic financial statements are an integral part of this statement.

CITY OF BIGGS, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

| | <u>Agency Funds</u> |
|----------------------|--------------------------|
| ASSETS | |
| Cash and investments | \$ <u>409,311</u> |
| Total Assets | \$ <u><u>409,311</u></u> |
| LIABILITIES | |
| Agency obligations | \$ <u>409,311</u> |
| Total Liabilities | \$ <u><u>409,311</u></u> |

The notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

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**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Biggs (City), all of which conform to generally accepted accounting principles as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; sanitation, electric, water, and wastewater services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events.

As required by GAAP, the accompanying basic financial statements present the City and its component units. Component units are entities for which the City is considered to be financially accountable. GASB defines component units as legally separate entities that meet any one of the following tests:

The City appoints the voting majority of the board of the entity and:

is able to impose its will on the entity and/or
is in a relationship of financial benefit or burden with the entity.

The entity is fiscally dependent upon the City.

The financial statements of the City would be misleading if data from the entity were omitted.

Management determined that there are no potential component units, based on the criteria above:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Government-Wide and Fund Financial Statements (Continued)

segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues as available if they are collected within sixty days of the end of the current fiscal period, except for sales tax which has a ninety day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Property taxes, sales taxes, transient occupancy tax, grants, licenses, fees, charges and interest associated

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary fund financial statements include a statement of net assets. The City's fiduciary funds represent agency funds and a Private-purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate.

Governmental Funds - Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Enterprise Funds - account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that 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; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City has elected to follow GASB pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Funds

Agency Funds - used to account for assets held by a governmental unit as an agent for individuals, governmental entities (other than the City) and non-public organizations. This fund is used to account for deposits and collects monies for various community events which are remitted to the organizers.

Private-purpose Trust Fund - is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments.

Major Funds

The City reports the following major governmental funds:

The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public safety, community development, and recreation and culture services.

The SR2S Improvement fund is a special revenue fund used to account for revenues and expenditures related to Safe Routes to School.

The TEA 2005 Improvement Project fund is a special revenue fund used to account for revenues and expenditures related to Transportation Enhancement Act monies.

The HOME Grant fund is a special revenue fund used to account for revenues and expenditures related to HOME program income.

The City reports the following major proprietary funds:

The Sewer fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the City.

The Electric fund is an enterprise fund used to account for activity related to providing customers with electricity service and billing for service provided by the City.

The Water fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the City.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Continued

Major Funds (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity Cash and Investments

Cash and Investments

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average daily cash balance at quarter end in relation to the total pool investments. The interest income is recorded in the fund that earned the interest, except for those funds which have a negative cash balance and are excluded from the interest apportionment.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity Cash and Investments

Cash and Investments (Continued)

current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method.

Butte County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

The City records an allowance for doubtful accounts based on past experience. The allowance for doubtful accounts at June 30, 2014 are Sewer fund \$271, Electric fund \$1,632, Water fund \$230, and Solid Waste \$107.

Inventories

Inventories are valued at estimated cost. All inventories consist of expendable supplies held for consumption. The cost is recorded as inventory when items are purchased and as expenditures when the items are used (the consumption method of accounting for inventories). The City recorded no material inventories at year end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity, Continued Capital Assets, Continued

Capital Assets (Continued)

assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such depreciation has been provided over the estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

| <u>Depreciable Asset</u> | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Equipment | 5-20 years |
| Structures and improvements | 60 years |
| Infrastructure | 30-60 years |

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category this fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from miscellaneous receivables, grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Continued on following page.

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity, Continued

Pension Plan

All full-time and certain part-time City employees are members of the State of California Public Employees' Retirement System (PERS), an agent multiple-employer defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of June 30 by the PERS's actuary.

Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken.

Unused vacation and sick leave have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

Unearned Revenue

In the government-wide financial statements, unearned revenue is recorded for transactions for which revenues have not been earned.

In the fund financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenues when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity, Continued

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Postemployment Benefits (OPEB)

The City of Biggs sponsors, under a defined benefit plan, retiree healthcare plan to qualifying employees retiring directly from the City. The benefit level is determined by date of hire and length of service and bargaining agreements. The City has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan.

Fund Equity

In the fund financial statements, governmental funds aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed ordinances of the City Council -the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City Council's "intent" to be used for specific purposes, but are neither restricted nor committed. The City

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity, Continued

Fund Equity (Continued)

Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed.

Net Position

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Tap and similar fees have been reported as non-operating revenues in the City's statement of revenue expense and changes in net position for proprietary funds and as capital grants and contributions in the statement of activities and changes in net position.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

Governmental Accounting Standards Board Statement No. 65

The City adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement modifies financial reporting of certain assets and liabilities to be reclassified as deferred outflows of resources or deferred inflows of resources. This statement mandates that debt issuance costs, which had previously been capitalized and amortized over the life of the related debt, be expensed as incurred.

Governmental Accounting Standards Board Statement No. 66

The City adopted the provisions of GASB Statement No. 66 Technical Corrections. This statement improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 Fund Balance Reporting and Governmental Type Definitions, and No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This pronouncement did not impact the preparation of these financial statements.

Governmental Accounting Standards Board Statement No. 67

Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

New Pronouncements, Continued

Governmental Accounting Standards Board Statement No. 67 (Continued)

- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Governmental Accounting Standards Board Statement No. 68

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

Governmental Accounting Standards Board Statement No. 69 and 70.

Statement No. 69, Government Combinations and Disposals of Government Operations, and Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees have no impact on the City.

Governmental Accounting Standards Board Statement No. 70

The City adopted the provisions of GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement establishes accounting and financial reporting for financial guarantees that are nonexchange transactions extended or received by the City. This pronouncement did not impact the preparation of these financial statements.

Governmental Accounting Standards Board Statement No. 71

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The City adopted the provisions of GASB Statement No. 70. This statement establishes accounting and financial reporting for financial guarantees that are nonexchange transactions extended or received by the City. This pronouncement did not impact the preparation of these financial statements.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Balance/Net Assets

The financial statements reflect the following deficit fund balances at June 30, 2014:

| | |
|--------------------------------|-------------|
| Sewer Capital Improvement Fund | \$. 906,607 |
| E. McCain Fund | \$. 110 |

NOTE 3: DETAILED NOTES

Cash and Investments

As of June 30, 2014, the City's cash and investments are reported in the financial statements as follows:

| | |
|----------------------------|----------------------------|
| Primary government | \$ 4,057,705 |
| Agency funds | <u>409,311</u> |
| Total Cash and Investments | \$ <u><u>4,467,016</u></u> |

As of June 30, 2014, the City's cash and investments consisted of the following:

| | |
|------------------------------------|------------------|
| Cash: | |
| Cash on hand | \$ 400 |
| Deposits (less outstanding checks) | <u>2,867,322</u> |
| Total Cash | <u>2,867,722</u> |

As of June 30, 2014, the City's investments consisted of the following:

| | |
|----------------------------|----------------------------|
| Investments: | |
| In City's pool | <u>1,599,294</u> |
| Total Investments | <u>1,599,294</u> |
| Total Cash and Investments | \$ <u><u>4,467,016</u></u> |

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$3,100,892 and the bank balance was \$2,121,785. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3: DETAILED NOTES (Continued)

Cash and Investments (Continued)

Custodial Credit Risk For Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the City are pooled with the State of California Local Agency Investment Fund. The City's investment policy generally limits investment maturities as needed to maintain adequate liquidity to meet the City's cash flow requirements and to limit its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limits investments in commercial paper to the rating of A or better by Standards & Poor's or P-1 or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. The City's investment policy does not further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the City requires that all of its managed investments be held in the name of the City. The City's investment policy does not further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3: DETAILED NOTES (CONTINUED)

Cash and Investments (Continued)

than deposits and imprest cash, in the California Local Agency Investment Fund (LAIF). At June 30, 2014, the City's investments were in compliance with concentration of credit risk State law.

Investment in Local Agency Investment Fund - The City of Biggs is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2014, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$1,595,355. The total amount invested by all public agencies in LAIF on that day was \$69,555,776,591. Of that amount, 94.58% is invested in non-derivative financial products and 5.42% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

| | Balance | | | Adjustments/ | Balance |
|--|---------------------|-------------------|--------------------|---------------------|----------------------|
| | July 1, 2013 | Additions | Retirements | Transfers | June 30, 2014 |
| Governmental Activities | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 166,152 | \$ - | \$ - | \$ - | \$ 166,152 |
| Construction in progress | - | 626,043 | - | - | 626,043 |
| Total Capital Assets, Not Being Depreciated | <u>166,152</u> | <u>626,043</u> | <u>-</u> | <u>-</u> | <u>792,195</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings and improvements | 1,392,777 | - | - | - | 1,392,777 |
| Machinery and equipment | 549,350 | 33,980 | (85,537) | - | 497,793 |
| Infrastructure | <u>2,704,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,704,409</u> |
| Total Capital Assets, Being Depreciated | <u>4,646,536</u> | <u>33,980</u> | <u>(85,537)</u> | <u>-</u> | <u>4,594,979</u> |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and improvements | (429,063) | (46,544) | - | - | (475,607) |
| Machinery and equipment | (436,319) | (23,083) | (85,537) | - | (544,939) |
| Infrastructure | <u>(221,239)</u> | <u>(45,073)</u> | <u>-</u> | <u>-</u> | <u>(266,312)</u> |
| Total Accumulated Depreciation | <u>(1,086,621)</u> | <u>(114,700)</u> | <u>(85,537)</u> | <u>-</u> | <u>(1,115,784)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>3,559,915</u> | <u>(80,702)</u> | <u>-</u> | <u>-</u> | <u>3,479,195</u> |
| Total Governmental Activities, Net | <u>\$ 3,726,067</u> | <u>\$ 545,323</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,271,390</u> |

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3: DETAILED NOTES (CONTINUED)

Capital Assets (Continued)

| | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Adjustments/</u> <u>Transfers</u> | <u>Balance</u> <u>June 30, 2014</u> |
|--|---------------------------------------|------------------|--------------------|---|--|
| Business-Type Activities | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 37,158 | \$ - | \$ - | \$ - | \$ 37,158 |
| Construction in progress | <u>203,320</u> | <u>287,756</u> | <u>-</u> | <u>-</u> | <u>491,076</u> |
| Total Capital Assets, Not Being Depreciated | <u>240,478</u> | <u>287,756</u> | <u>-</u> | <u>-</u> | <u>528,234</u> |
| Capital Assets, Being Depreciated: | | | | | |
| Structures and improvements | 167,000 | - | - | - | 167,000 |
| Machinery and equipment | 1,631,297 | - | - | - | 1,631,297 |
| Infrastructure | <u>7,652,122</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,652,122</u> |
| Total Capital Assets, Being Depreciated | <u>9,450,419</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,450,419</u> |
| Less Accumulated Depreciation For: | | | | | |
| Structures and improvements | (80,750) | (3,750) | - | - | (84,500) |
| Machinery and equipment | (758,919) | (52,676) | - | - | (811,595) |
| Infrastructure | <u>(1,799,340)</u> | <u>(138,582)</u> | <u>-</u> | <u>-</u> | <u>(1,937,922)</u> |
| Total Accumulated Depreciation | <u>(2,639,009)</u> | <u>(195,008)</u> | <u>-</u> | <u>-</u> | <u>(2,834,017)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>6,811,410</u> | <u>(195,008)</u> | <u>-</u> | <u>-</u> | <u>6,616,402</u> |
| Total Business-type Activities, Net | \$ <u>7,051,888</u> | \$ <u>92,748</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>7,144,636</u> |

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| General government | \$ 36,762 |
| Public ways and facilities | 37,997 |
| Public protection | 32,374 |
| Culture and recreation | 6,687 |
| Community development | <u>880</u> |
| Total Depreciation Expense -- Governmental Functions | \$ <u>114,700</u> |

Depreciation expense was charged to the business-type functions as follows:

| | |
|--|-------------------|
| Sewer | \$ 40,138 |
| Electric | 47,570 |
| Water | <u>107,300</u> |
| Total Depreciation Expense - Business-Type Functions | \$ <u>195,008</u> |

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3: DETAILED NOTES (CONTINUED)

Capital Assets (Continued)

Construction in Progress:

Construction in progress for business-type activities relates primarily to work performed on water projects.

Unearned Revenue:

At June 30, 2014, the components of unearned revenue reported were as follows:

Offset to Long-Term Notes Receivable \$ 886,328

Long-term Debt

Long-term debt for the year ended June 30, 2014, was as follows:

| | Balance | | Adjustments/ | Balance | Amounts |
|--------------------------------|---------------------|-------------------|---------------------|----------------------|-------------------|
| | July 1, 2013 | Additions | Retirements | June 30, 2014 | Due Within |
| | | | | | One Year |
| Governmental Activities | | | | | |
| Loans | \$ 260,000 | \$ - | \$ 4,000 | \$ 256,000 | \$ 4,000 |
| OPEB Liability (Note 5) | 3,160 | - | - | 3,160 | - |
| Compensated Absences (Note 1) | <u>20,198</u> | <u>3,774</u> | <u>5,274</u> | <u>18,698</u> | <u>8,443</u> |
| Total Government Activities | <u>\$ 283,358</u> | <u>\$ 3,774</u> | <u>\$ 9,274</u> | <u>\$ 277,858</u> | <u>\$ 12,443</u> |
| Business-Type Activities | | | | | |
| Loans | \$ 4,028,400 | \$ 259,898 | \$ 63,100 | \$ 4,225,198 | \$ 75,200 |
| OPEB Liability (Note 5) | 9,150 | - | - | 9,150 | - |
| Compensated Absences (Note 1) | <u>38,405</u> | <u>20,042</u> | <u>15,827</u> | <u>42,620</u> | <u>17,886</u> |
| Total Business-Type Activities | <u>\$ 4,075,955</u> | <u>\$ 279,940</u> | <u>\$ 78,927</u> | <u>\$ 4,276,968</u> | <u>\$ 93,086</u> |

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3: DETAILED NOTES (CONTINUED)

Long-term Debt (Continued)

At June 30, 2014, loans consisted of the following:

| | <u>Government Activities</u> | <u>Business-Type Activities</u> |
|--|----------------------------------|-------------------------------------|
| United States Department of Agriculture Loan, issued in the amount of \$160,530, dated February 9, 2000, payable in annual installments of \$1,530 to \$8,400 with an interest rate of 4.50% and maturity of September 1, 2039. Loan proceeds were used for wastewater system improvements | \$ - | \$ 130,000 |
| United States Department of Agriculture Loan, issued in the amount of \$133,000, dated February 9, 2000, payable in annual installments of \$1,700 to \$5,900, with an interest rate of 3.25% and maturity of September 1, 2039. Loan proceeds were used for wastewater system improvements. | - | 102,100 |
| United States Department of Agriculture Loan, issued in the amount of \$3,675,000, dated November 9, 2006, payable in annual installments of \$35,000 to \$190,000 with an interest rate of 4.375% and a maturity of April 1, 2046. Loan proceeds were used for water infrastructure rehabilitation and replacement. | - | 3,345,000 |
| United States Department of Agriculture Loan, issued in the amount of \$480,000, dated February 9, 2000, payable in annual installments of \$4,500 to \$25,000 with an interest rate of 4.50% and a maturity date of September 1, 2039. Loan proceeds were used for wastewater system improvements. | - | 388,200 |
| State Water Resources Control Board Capital Lease Agreement, in the approved amount of \$3,144,335, as amended September 11, 2014, payable in one annual installment of \$75,690 and 19 annual installments of \$97,534 with an interest rate of 2.10% and a maturity date of May 31, 2035. Loan proceeds are and will be used for wastewater system improvements. | - | 259,898 |

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3: DETAILED NOTES (CONTINUED)

Long-term Debt (Continued)

United States Department of Agriculture Loan, issued in the amount of \$300,000, dated January 12, 2001, payable in annual installments of \$2,000 to \$17,000 with an interest rate of 5.00% and maturity of September 1, 2040. Loan proceeds were used for the purchase of property for a public works facility

| | | |
|-------------|-------------------|---------------------|
| | <u>256,000</u> | <u>-</u> |
| Total Loans | \$ <u>256,000</u> | \$ <u>4,225,198</u> |

The annual aggregate maturities for the years subsequent to June 30, 2014, are as follows:

| Year Ended June 30 | L oans | | | | Total |
|-----------------------------|-----------------------|-------------------|--------------------------|---------------------|---------------------|
| | Government Activities | | Business-Type Activities | | |
| | Principal | Interest | Principal | Interest | |
| 2015 | \$ 5,000 | \$ 12,675 | \$ 63,700 | \$ 171,704 | \$ 253,079 |
| 2016 | 5,000 | 12,425 | 124,882 | 189,040 | 331,347 |
| 2017 | 5,000 | 12,175 | 137,280 | 196,071 | 350,526 |
| 2018 | 5,000 | 11,925 | 142,696 | 193,314 | 352,935 |
| 2019 | 6,000 | 11,650 | 144,705 | 188,177 | 350,532 |
| 2020 | 6,000 | 11,350 | 151,843 | 184,296 | 353,489 |
| 2021-2025 | 35,000 | 51,825 | 827,275 | 840,977 | 1,755,077 |
| 2026-2030 | 44,000 | 42,000 | 981,352 | 691,870 | 1,759,222 |
| 2031-2035 | 56,000 | 29,500 | 1,173,992 | 510,050 | 1,769,542 |
| 2036-2040 | 72,000 | 13,600 | 885,100 | 310,528 | 1,281,228 |
| 2041-2045 | <u>17,000</u> | <u>425</u> | <u>903,900</u> | <u>118,344</u> | <u>1,039,669</u> |
| Total Government Activities | \$ <u>256,000</u> | \$ <u>209,550</u> | \$ <u>5,536,725</u> | \$ <u>3,594,371</u> | \$ <u>9,596,646</u> |

Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

Interfund Transactions

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3: DETAILED NOTES (CONTINUED)

Interfund Transactions (Continued)

Due To/From Other Funds (Continued)

In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2014:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|----------------------------|---------------------------------|-------------------------------|
| Electric Utility Fund | \$ 638,358 | \$ - |
| Sixth Street Bridge Fund | | 202,098 |
| WWTP Phase Two | | 105,265 |
| Sewer Improvement Fee Fund | | 286,316 |
| E. McCain | | 111 |
| Sewer Fund | - | 44,568 |
| Total | <u>\$ 638,358</u> | <u>\$ 638,358</u> |

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2014:

| | <u>Transfer-Out</u> | <u>Transfer-In</u> |
|------------------------------|---------------------|--------------------|
| General Fund | \$ - | \$ 150,000 |
| Building Equipment Fund | - | 28,162 |
| Fire Engine Replacement Fund | - | 11,265 |
| Bridge Reserve Fund | 14,400 | - |
| Street Maintenance Fund | | 24,897 |
| Sewer Fund | 70,000 | - |
| Water Fund | 120,000 | - |
| Electric Fund | 384,829 | - |
| NCPA GOR Reserve Fund | 2,609 | - |
| CAISO Reserve Fund | - | 2,609 |
| Solid Waste Fund | 8,000 | - |
| Waste Water Phase Two | - | 35,000 |
| Water Improvement Fund | - | 120,000 |
| HOME 2007 Grant Fund | - | 226 |
| Sixth Street Bridge Fund | - | 14,400 |
| CDBG Unrestricted | - | 26,319 |
| CDBG Program Income Fund | 4,911 | - |
| 08 PTAE 5403 CDBG Fund | - | 1,592 |
| ADA City Library Fund | - | 19,283 |
| Vets Hall Rehab Fund | - | 11,080 |
| 01 STBG 1797 Fund | 21,409 | - |
| General Plan Fund | - | 90,000 |
| Electric Improvement Fund | - | 56,325 |
| Waste Water Treatment Fund | - | 35,000 |
| Total | <u>\$ 626,158</u> | <u>\$ 626,158</u> |

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 4: EMPLOYEES' RETIREMENT PLAN

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS 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 statute. Copies of PERS' annual financial report may be obtained from their executive office — 400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous plan members are required to contribute 8 percent of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2013/2014 was 8.695 percent for miscellaneous employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2013/2014, the City's annual pension cost of \$36,368 for the miscellaneous plan was equal to the City's actual contributions. The required contribution for fiscal year 2013/2014 was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent, depending on age, service, and type of employment, and (c) 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effect of short term volatility in the market value of investments over a two to five year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. The table below presents three-year trend information.

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage of</u> <u>APC Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|---|--|--|---|
| June 30, 2012 | \$ 33,200 | 100% | \$ - |
| June 30, 2013 | 36,368 | 100% | - |
| June 30, 2014 | 36,368 | 100% | - |

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Funded Status and Funding Progress

Since the City Miscellaneous plan has less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. The City only pays up to the required minimum employer premium contribution calculated using the unequal contribution method. Under this method, the City's contribution for the retiree is calculated by the number of years the City has participated in CalPERS, multiplied by at least five percent (5%), and multiplied by the current employer contribution toward active employees, which is adjusted based on the medical care portion of the Consumer Price Index. Benefit provisions are established by the City Council.

Funding Policy

The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 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 over a period not to exceed thirty years.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The City has elected not to establish an irrevocable trust at this time. The City Council reserves the authority to review and amend this funding policy annually.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a

(Continued on the following page)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 the remaining period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

| | |
|--|------------------|
| Annual required contribution | \$ 15,514 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | <u>-</u> |
| Annual OPEB cost (expense) | 15,514 |
| Contributions made | <u>3,204</u> |
| Increase in net OPEB obligation | 12,310 |
| Net OPEB obligation - Beginning of year | <u>-</u> |
| Net OPEB obligation - End of year | <u>\$ 12,310</u> |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|------------------------|---|------------------------|
| June 30, 2014 | \$ 15,514 | 21% | \$ 12,310 |

Funding Status and Funding Progress

As of July 1, 2014, the actuarial accrued liability (AAL) for benefits was \$118,409, all of which was 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 as 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 about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial 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 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

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

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

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was set at 4%, which is within the range recommended by CalPERS OPEB Assumption Model.

Health insurance premiums - 2009 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Payroll increase - Changes in the payroll for current employees are expected to increase at a rate of approximately 2% annually.

Discount rate - The calculation uses an annual discount rate of 3%. This is based on the assumed long-term return on plan assets or employer assets.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 payroll on an open basis. The remaining amortization period at July 1, 2009, was thirty 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 6: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in Small Cities Organized Risk Effort (SCORE) for general liability, vehicle liability, workers' compensation, crime, and errors and omissions purposes. SCORE is a public entity risk pool which serves as a common risk management and insurance program for member cities. The City pays an annual premium to SCORE for its insurance coverage. The agreements with SCORE provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The Small Cities Organized Risk Effort (SCORE) is a joint powers authority organized to provide for a banking plan whereby the member cities can share in the administrative costs of providing liability and worker's compensation insurance. The SCORE is composed of 20 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budget and financing.

Complete audited financial statements can be obtained from SCORE offices at 3017 Gold Canal Drive #500, Rancho Cordova, California 95670-6129.

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6: RISK MANAGEMENT (Continued)

Joint Agencies

The California Joint Powers Risk Management Authority (CJPRMA) is a joint power authority organized to provide excess coverage for its members. The CJPRMA is governed by a board of directors representing its member cities. Complete audited financial statements can be obtained from the Claims Administrator at 574 Manzanita Avenue, Suite 12, Chico, California 95926.

NOTE 7: OTHER INFORMATION

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Subsequent Event

Management has evaluated events subsequent to June 30, 2014 through February 13, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Proposition IA Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2014. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$25,744.

Authorized with the 2009-10 State budget package, the Proposition IA Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to

(Continued on the following page)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 7: OTHER INFORMATION (Continued)

Proposition 1A Borrowing by the State of California (Continued)

provide local agencies with cash proceeds in two equal installments, on January 15, 2014 and May 3, 2014. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 8: PRIOR PERIOD ADJUSTMENT

The City posted a prior period adjustment to the government wide financial statements to reflect the cost of Construction in progress on the Waste Water Treatment Plant expansion expended in prior years and not capitalized into the General Fixed Assets as Construction in Progress in the amount of \$322,868.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF BIGGS, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - UNAUDITED
 FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
 (OPEB)**

The table below shows a one year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2014, for the City other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

Miscellaneous Plan:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Accrued Liability (AAL) Entry Age</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability (UAAL)</u> | <u>Funded Status</u> | <u>Annual Covered Payroll</u> | <u>UAAL as a % of Payroll</u> |
|---|--|--|--|--------------------------|---------------------------------------|---------------------------------------|
| July 1, 2009 | \$ 118,409 | \$ - | \$ 118,409 | 0% | \$ 429,000 | 27.6% |

CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|----------------------------|-------------------------|---|---|
| REVENUES | | | | |
| Taxes and assessments | \$ 145,380 | \$ 145,380 | \$ 136,138 | \$ (9,242) |
| Licenses and permits | 12,900 | 12,900 | 8,177 | (4,723) |
| Fines and forfeitures | 150 | 150 | 240 | 90 |
| Use of money | 500 | 500 | 1,726 | 1,226 |
| Intergovernmental | 193,375 | 193,375 | 320,908 | 127,533 |
| Charges for services | 26,890 | 26,890 | 24,447 | (2,443) |
| Other revenues | <u>123,004</u> | <u>123,004</u> | <u>91,220</u> | <u>(31,784)</u> |
| Total Revenues | <u>502,199</u> | <u>502,199</u> | <u>582,856</u> | <u>80,657</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 372,963 | 372,963 | 296,344 | 76,619 |
| Public ways and facilities | 109,991 | 109,991 | 89,833 | 20,158 |
| Public protection | 254,094 | 254,094 | 260,967 | (6,873) |
| Culture and recreation | 32,356 | 32,356 | 53,901 | (21,545) |
| Community development | - | - | - | - |
| Debt service | 17,700 | 17,700 | 16,950 | 750 |
| Capital outlay | <u>4,200</u> | <u>4,200</u> | <u>33,981</u> | <u>(29,781)</u> |
| Total Expenditures | <u>791,304</u> | <u>791,304</u> | <u>751,976</u> | <u>39,328</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | <u>(289,105)</u> | <u>(289,105)</u> | <u>(169,120)</u> | <u>119,985</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 304,324 | 304,324 | 304,324 | - |
| Transfers out | <u>(14,400)</u> | <u>(14,400)</u> | <u>(14,400)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>289,924</u> | <u>289,924</u> | <u>289,924</u> | <u>-</u> |
| Net Change in Fund Balance | 819 | 819 | 120,804 | 119,985 |
| Fund Balance -Beginning | <u>752,217</u> | <u>752,217</u> | <u>752,217</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 753,036</u> | <u>\$ 753,036</u> | <u>\$ 873,021</u> | <u>\$ 119,985</u> |

The City of Biggs budgets for debt service principal and interest expenditures as a single item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined as one item, debt service.

See the accompanying notes to the required supplementary information.

**CITY OF BIGGS, CALIFORNIA
SCHEDULES TO FOOTNOTES
BUDGET AND APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 OTHER DISCLOSURES

SCHEDULE OF EXCESS EXPENDITURES:

| Fund | Appropriations | Expenditures | Excess Expenditures |
|-----------------|-----------------------|---------------------|--------------------------------|
| RSTP Grant | \$ 600 | \$ 3,366 | \$ 2,766 |
| HOME 2007 Grant | - | 1,887 | 1,887 |
| 1994 CDBG Fund | - | 3,737 | 3,737 |
| Gas Tax | 17,468 | 19,742 | 2,274 |
| CDF N. Biggs | 18,131 | 19,485 | 1,354 |
| E. McCain | - | 36 | 36 |
| | \$ 36,199 | \$ 48,253 | \$ 12,054 |

SCHEDULE OF DEFICIT FUND BALANCES:

| Fund | Deficit Fund Balance |
|------------------------|---------------------------------|
| E McCain Fund | \$ (110) |
| Sewer Improvement Fund | (906,607) |
| | \$ (906,717) |

**CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
(OPEB)**

The Schedule of Funding Progress - Other Postemployment Benefits on Page 40, presents a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

BUDGETARY BASIS OF ACCOUNTING

The approved City procedures for establishing the budgetary data reflected in the financial statements is as follows:

In May of each year, the Finance Department is to submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted at City Hall to obtain taxpayer comments.

Generally by the first of July, after adjustment as appropriate by the City Council, the budget is to be legally enacted through council motion.

Council approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).

Formal budgetary integration is employed as a management control device during the year for the General fund, and Special Revenue funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments. The HOME Grant major special revenue fund did not have a legally adopted budget.

All unused appropriations for budgeted amounts lapse at the end of the year.

Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate document presenting this information is available.

The City does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

REQUIRED SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

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CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

| | Gas Tax | Improvement Fees | SB-325 'TDA Funds |
|--|--------------------|-----------------------------|----------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 119,126 | \$ 34,487 | \$ 65,176 |
| Accounts receivable (net of allowance) | 15,420 | - | 5,201 |
| Due from other governments | - | - | - |
| Loans receivable | - | - | - |
| Total Assets | <u>\$ 134,546</u> | <u>\$ 34,487</u> | <u>\$ 70,377</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 450 | \$ 545 | \$ 869 |
| Deposits payable | - | - | - |
| Due to other funds | - | 110 | - |
| Unearned revenue | - | - | - |
| Total Liabilities | <u>450</u> | <u>655</u> | <u>869</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Loans receivable | - | - | - |
| Unreserved: | | | |
| Undesignated | <u>134,096</u> | <u>33,832</u> | <u>69,508</u> |
| Total Fund Balances | <u>134,096</u> | <u>33,832</u> | <u>69,508</u> |
| Total Liabilities and Fund Balances | <u>\$ 134,546</u> | <u>\$ 34,487</u> | <u>\$ 70,377</u> |

| SB-620 STA Funds | RSTP Exchange | TEA 2005 Improvement Project | HOME Grant |
|---------------------------------|--------------------------|---|-----------------------|
| \$ 4,501 | \$ 68,236 | \$ - | \$ 48,634 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 541,465 |
| <u>\$ 4,501</u> | <u>\$ 68,236</u> | <u>\$ -</u> | <u>\$ 590,099</u> |
| | | | |
| \$ - | \$ 16 | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 541,465 |
| <u>-</u> | <u>16</u> | <u>-</u> | <u>541,465</u> |
| | | | |
| - | - | - | - |
| 4,501 | 68,220 | - | 48,634 |
| <u>4,501</u> | <u>68,220</u> | <u>-</u> | <u>48,634</u> |
| <u>\$ 4,501</u> | <u>\$ 68,236</u> | <u>\$ -</u> | <u>\$ 590,099</u> |

See the accompanying notes to the required supplementary information.

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

| | Sixth St Bridge | 1982 CDBG | 1986 HUD |
|--|----------------------------|------------------|-----------------|
| ASSETS | | | |
| Cash and investments | \$ - | \$ 49 | \$ - |
| Accounts receivable (net of allowance) | - | - | - |
| Due from other governments | 491,065 | - | - |
| Loans receivable | - | - | - |
| Total Assets | <u>\$ 491,065</u> | <u>\$ 49</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 243,668 | \$ - | \$ - |
| Deposits payable | - | - | - |
| Due to other funds | 202,098 | - | - |
| Unearned revenue | - | - | - |
| Total Liabilities | <u>445,766</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Loans receivable | - | - | - |
| Unreserved: | | | |
| Undesignated | 45,299 | 49 | - |
| Total Fund Balances | <u>45,299</u> | <u>49</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 491,065</u> | <u>\$ 49</u> | <u>\$ -</u> |

| CDBG Miscellaneous | 1994 CDBG | 08-PTAE-\$403 CDBG | ADA City Library | Veteran's Hail Rehab |
|-------------------------------|-------------------|-------------------------------|-----------------------------|---------------------------------|
| \$ 67,256 | \$ 62,395 | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 118,318 | - | - | - |
| <u>\$ 67,256</u> | <u>\$ 180,713</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 118,338 | - | - | - |
| - | <u>118,338</u> | - | - | - |
| - | - | - | - | - |
| 67,256 | 62,375 | - | - | - |
| <u>67,256</u> | <u>62,375</u> | - | - | - |
| <u>\$ 67,256</u> | <u>\$ 180,713</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See the accompanying notes
to the required supplementary
information.

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

| | 01-STBG-1797 | Totals |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and investments | \$ 7,740 | \$ 477,600 |
| Accounts receivable (net of allowance) | - | 20,621 |
| Due from other governments | - | 491,065 |
| Loans receivable | <u>226,545</u> | <u>886,328</u> |
| Total Assets | <u>\$ 234,285</u> | <u>\$ 1,875,614</u> |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 245,548 |
| Deposits payable | - | - |
| Due to other funds | - | 202,208 |
| Unearned revenue | <u>226,545</u> | <u>886,348</u> |
| Total Liabilities | <u>226,545</u> | <u>1,334,104</u> |
| FUND BALANCES | | |
| Reserved for: | | |
| Loans receivable | - | - |
| Unreserved: | | |
| Undesignated | <u>7,740</u> | <u>541,510</u> |
| Total Fund Balances | <u>7,740</u> | <u>541,510</u> |
| Total Liabilities and Fund Balances | <u>\$ 234,285</u> | <u>\$ 1,875,614</u> |

See the accompanying notes
to the required supplementary
information.

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Gas Tax | Improvement Fees |
|---|--------------------|-------------------------|
| REVENUES | | |
| Taxes and assessments | \$ 63,074 | \$ 22,098 |
| Use of money | 133 | 39 |
| Intergovernmental | - | - |
| Charges for services | - | - |
| Other revenues | - | 12 |
| Total Revenues | <u>63,207</u> | <u>22,149</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | - | - |
| Public ways and facilities | 15,813 | 18,390 |
| Public protection | - | - |
| Culture and recreation | - | - |
| Community development | - | - |
| Capital outlay | - | - |
| Total Expenditures | <u>15,813</u> | <u>18,390</u> |
| Excess of Revenues Over(Under) Expenditures | <u>47,394</u> | <u>3,759</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | - | - |
| Transfers out | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 47,394 | 3,759 |
| Fund Balances - Beginning | 86,702 | 30,073 |
| Fund Balances - Ending | <u>\$ 134,096</u> | <u>\$ 33,832</u> |

| SB-325 TDA Funds | SB-620 STA Funds | RSTP Exchange | HOME Grant | HOME 2007 Grant |
|---------------------------------|---------------------------------|--------------------------|-----------------------|----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 72 | 5 | 76 | 61 | - |
| 54,468 | 6,562 | 27,581 | - | - |
| - | - | - | - | - |
| - | - | - | 3,240 | - |
| <u>54,540</u> | <u>6,567</u> | <u>27,657</u> | <u>3,301</u> | <u>-</u> |
| - | - | - | - | - |
| 31,365 | 4,072 | 133 | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>31,365</u> | <u>4,072</u> | <u>133</u> | <u>-</u> | <u>-</u> |
| <u>23,175</u> | <u>2,495</u> | <u>27,524</u> | <u>3,301</u> | <u>-</u> |
| - | - | - | - | 226 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>226</u> |
| 23,175 | 2,495 | 27,524 | 3,301 | 226 |
| 46,333 | 2,006 | 40,696 | 45,333 | (226) |
| <u>\$ 69,508</u> | <u>\$ 4,501</u> | <u>\$ 68,220</u> | <u>\$ 48,634</u> | <u>\$ -</u> |

See the accompanying notes to the required supplementary information.

(Continued page 1 of 3)

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Sixth St Bridge | 1982 CDBG |
|---|----------------------------|------------------|
| REVENUES | | |
| Taxes and assessments | \$ - | \$ - |
| Use of money | - | - |
| Intergovernmental | 580,646 | - |
| Charges for services | - | - |
| Other revenues | 400 | - |
| Total Revenues | <u>581,046</u> | <u>-</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | - | - |
| Public ways and facilities | 165,062 | - |
| Public protection | - | - |
| Culture and recreation | - | - |
| Community development | - | - |
| Capital outlay | 283,930 | - |
| Total Expenditures | <u>448,992</u> | <u>-</u> |
| Excess of Revenues Over(Under) Expenditures | <u>132,054</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | 14,400 | - |
| Transfers out | - | - |
| Total Other Financing Sources (Uses) | <u>14,400</u> | <u>-</u> |
| Net Change in Fund Balances | 146,454 | - |
| Fund Balances - Beginning | (101,155) | 49 |
| Fund Balances - Ending | <u>\$ 45,299</u> | <u>\$ 49</u> |

| CDBG Miscellaneous | 1994 CDBG | 08-PTAE-5403 CDBG | ADA City Library | Veteran's Hall Rehab |
|-------------------------------|------------------|------------------------------|-----------------------------|---------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 87 | 75 | - | - | - |
| - | - | - | - | - |
| - | 10,665 | - | - | - |
| - | - | - | - | - |
| <u>87</u> | <u>10,740</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 4,100 | 3,000 | - | - | - |
| - | - | - | - | - |
| <u>4,100</u> | <u>3,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>(4,013)</u> | <u>7,740</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 26,319 | - | 1,592 | 19,284 | 11,079 |
| - | (4,911) | - | - | - |
| <u>26,319</u> | <u>(4,911)</u> | <u>1,592</u> | <u>19,284</u> | <u>11,079</u> |
| 22,306 | 2,829 | 1,592 | 19,284 | 11,079 |
| 44,950 | 59,546 | (1,592) | (19,284) | (11,079) |
| <u>\$ 67,256</u> | <u>\$ 62,375</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See the accompanying notes to the required supplementary information.

(Continued page 2 of 3)

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>01-STBG-1797</u> | <u>Totals</u> |
|---|---------------------|-------------------|
| REVENUES | | |
| Taxes and assessments | \$ - | \$ 85,172 |
| Use of money | 10 | 558 |
| Intergovernmental | - | 669,257 |
| Charges for services | - | 10,665 |
| Other revenues | - | 3,652 |
| Total Revenues | <u>10</u> | <u>769,304</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | - | - |
| Public ways and facilities | - | 234,835 |
| Public protection | - | - |
| Culture and recreation | - | - |
| Community development | - | 7,100 |
| Capital outlay | - | 283,930 |
| Total Expenditures | <u>-</u> | <u>525,865</u> |
| Excess of Revenues Over(Under) Expenditures | <u>10</u> | <u>243,439</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | - | 72,900 |
| Transfers out | <u>(21,409)</u> | <u>(26,320)</u> |
| Total Other Financing Sources (Uses) | <u>(21,409)</u> | <u>46,580</u> |
| Net Change in Fund Balances | (21,399) | 290,019 |
| Fund Balances - Beginning | 29,139 | 251,491 |
| Fund Balances - Ending | <u>\$ 7,740</u> | <u>\$ 541,510</u> |

See the accompanying notes
to the required supplementary
information.

NONMAJOR PROPRIETARY FUNDS

Unaudited

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CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUND - SOLID WASTE
June 30, 2014

| | Solid Waste | Totals |
|--|------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and investments | \$ 6,394 | \$ 6,394 |
| Accounts receivable (net of allowance) | 26,022 | 26,022 |
| Total Current Assets | <u>32,416</u> | <u>32,416</u> |
| Total Assets | <u>\$ 32,416</u> | <u>\$ 32,416</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 546 | \$ 546 |
| Due to other funds | - | - |
| Compensated absences | - | - |
| Total Current Liabilities | <u>546</u> | <u>546</u> |
| Noncurrent Liabilities | | |
| Compensated absences | 1,636 | 1,636 |
| OPEB liability | 290 | 290 |
| Total Noncurrent Liabilities | <u>1,926</u> | <u>1,926</u> |
| Total Liabilities | <u>2,472</u> | <u>2,472</u> |
| NET POSITION | | |
| Unrestricted | <u>29,944</u> | <u>29,944</u> |
| Total Net Position | <u>\$ 29,944</u> | <u>\$ 29,944</u> |

**CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUND - SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2014**

| | Solid Waste | Totals |
|--|------------------------|------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 158,820 | \$ 158,820 |
| Total Operating Revenues | <u>158,820</u> | <u>158,820</u> |
| OPERATING EXPENSES | | |
| Personnel cost | 14,775 | 14,775 |
| Supplies | - | - |
| Maintenance and operations | 5,474 | 5,474 |
| Contractual services | 134,031 | 134,031 |
| Other | 254 | 254 |
| Total Operating Expenses | <u>154,534</u> | <u>154,534</u> |
| Operating income (Loss) | <u>4,286</u> | <u>4,286</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 1,979 | 1,979 |
| Other revenue | 25 | 25 |
| Total Non-Operating Revenues (Expenses) | <u>2,004</u> | <u>2,004</u> |
| Income (Loss) Before Transfers | <u>6,290</u> | <u>6,290</u> |
| Transfers in | - | - |
| Transfers out | (8,000) | (8,000) |
| Total Other Financing Sources (Uses) | <u>(8,000)</u> | <u>(8,000)</u> |
| Net Change in Fund Balance | <u>(1,710)</u> | <u>(1,710)</u> |
| Total Net Position - Beginning | 31,654 | 31,654 |
| Prior period adjustment | - | - |
| Total Net Position - Beginning, Restated | <u>31,654</u> | <u>31,654</u> |
| Total Net Position - Ending | <u>\$ 29,944</u> | <u>\$ 29,944</u> |

**CITY OF BIGGS, CALIFORNIA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUND - SOLID WASTE
 FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Solid Waste</u> | <u>Totals</u> |
|--|------------------------|-----------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Receipts from customers | \$ 159,524 | \$ 159,524 |
| Payments to suppliers | (139,716) | (139,716) |
| Payments to employees | <u>(14,654)</u> | <u>(14,654)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>5,154</u> | <u>5,154</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | |
| Transfers to other funds | (8,000) | (8,000) |
| Interfund loans repaid | - | - |
| Interfund loans received | <u>-</u> | <u>-</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(8,000)</u> | <u>(8,000)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Interest and dividends | <u>2,004</u> | <u>13</u> |
| Net Cash Provided (Used) by Investing Activities | <u>2,004</u> | <u>13</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (842) | (2,833) |
| Balances - Beginning of the Year | <u>7,236</u> | <u>7,236</u> |
| Balances - End of the Year | <u>\$ 6,394</u> | <u>\$ 6,394</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | | |
| Operating income (loss) | \$ 4,286 | \$ 4,286 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Decrease (increase) in: | | |
| Accounts receivable | 704 | 704 |
| Increase (decrease) in: | | |
| Accounts payable | 44 | 44 |
| Compensated absences | 121 | 121 |
| OPEB liability | <u>(1)</u> | <u>(1)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 5,154</u> | <u>\$ 5,154</u> |

FIDUCIARY FUNDS

Unaudited

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**CITY OF BIGGS, CALIFORNIA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2014**

| | <u>'39 Fire Truck</u> | <u>Developer Fees</u> | <u>Total Agency Funds</u> |
|----------------------|---------------------------|-----------------------|-------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 3,012 | \$ 406,299 | \$ 409,311 |
| Total Assets | <u>\$ 3,012</u> | <u>\$ 406,299</u> | <u>\$ 409,311</u> |
| LIABILITIES | | | |
| Agency obligations | \$ 3,012 | \$ 406,299 | \$ 409,311 |
| Total Liabilities | <u>\$ 3,012</u> | <u>\$ 406,299</u> | <u>\$ 409,311</u> |

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2014</u> |
|-----------------------|--|------------------|-------------------|--|
| '39 Fire Truck | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 3,008 | \$ 4 | \$ - | \$ 3,012 |
| Interest receivable | - | - | - | - |
| Total Assets | <u>\$ 3,008</u> | <u>\$ 4</u> | <u>\$ -</u> | <u>\$ 3,012</u> |
| LIABILITIES | | | | |
| Agency obligations | <u>\$ 3,008</u> | <u>\$ 4</u> | <u>\$ -</u> | <u>\$ 3,012</u> |
| Total Liabilities | <u>\$ 3,008</u> | <u>\$ 4</u> | <u>\$ -</u> | <u>\$ 3,012</u> |
| Developer Fees | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 16,448 | \$ 32 | \$ - | \$ 16,480 |
| Interest receivable | - | - | - | - |
| Total Assets | <u>\$ 16,448</u> | <u>\$ 32</u> | <u>\$ -</u> | <u>\$ 16,480</u> |
| LIABILITIES | | | | |
| Agency obligations | <u>\$ 16,448</u> | <u>\$ 32</u> | <u>\$ -</u> | <u>\$ 16,480</u> |
| Total Liabilities | <u>\$ 16,448</u> | <u>\$ 32</u> | <u>\$ -</u> | <u>\$ 16,480</u> |

OTHER REPORTS AND SCHEDULES

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR RECOMMENDATIONS

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Donald R. Reynolds

Certified Public Accountant

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the City Council City of Biggs
Biggs, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biggs, California (City), as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 23, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and Members of the City Council City of Biggs
Biggs, California

I identified certain other deficiencies in internal control over financial reporting that I did not consider to be material weaknesses that I have reported in my letter to management dated March 23, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Recommendations. I did not audit the City's responses, and accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, City Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Donald R. Reynolds, CPA
Redding, California
March 23, 2015

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
City of Biggs
Crescent City, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Crescent City Harbor District's compliance.

P.O. Box 994508, Redding, California 96099-4508 . (530) 246-2834 . FAX (530) 244-0331

Opinion on Each Major Federal Program

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

Internal Control Over Compliance

The management of City of Biggs is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing my audit, I considered City of Biggs's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance and its operation that I consider to be material weaknesses, as defined above.

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

Donald R. Reynolds
Certified Public Accountant
March 23, 2015

CITY OF BIGGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| <u>Federal Grantor/Pass-Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Disbursements/ Expenditures</u> |
|--|------------------------------------|--|--|
| <u>Environmental Protection Agency</u> | | | |
| Passed through State Department of Housing & Community Development: | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | N/A | <u>299,697</u> |
| Total Environmental Protection Agency | | | <u>299,697</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through State Department of Transportation | | | |
| Highway Planning and Construction | ** 20.205 | N/A | <u>449,847</u> |
| Total U.S. Department of Transportation | | | <u>449,847</u> |
| Total Expenditure of Federal Awards | | | <u>\$ 749,544</u> |

** Major Program

CITY OF BIGGS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1: General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Biggs. The City reporting entity is defined in Note 1 to the City's basic financial statements. All Federal awards received from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements. Sources of information for preparation of the Schedule of Expenditures of Federal Awards varies, depending on the accounting practices and reporting requirements of the departments implementing the program

Note 3: Relationship to Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the General and Special Revenue funds.

CITY OF BIGGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION 1

Financial Statements

Summary of Auditor's Results

- a.) Type of auditor's report issued on financial statements **Unqualified**
- b.) Internal control over financial reporting:
 - Material weaknesses identified: **No**
 - Significant Deficiencies identified that are not considered to be material weaknesses: **No**
- c.) Noncompliance which is material to the financial statements: **No**

Federal Awards

- d.) Internal control over major programs:
 - Material weaknesses identified: **No**
 - Significant Deficiencies identified that are not considered to be material weaknesses: **No**
- e.) Type of auditors' report issued on compliance for major programs: **Unqualified**
- f.) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- g.) The dollar threshold used to distinguish between Type "A" and Type "B" programs was **\$300,000**
- h.) Program identified as a major program

| | |
|--------------------|-----------------------------------|
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 20.205 | Highway Planning and Construction |
- i.) Auditee qualified as a low risk auditee under Section 0.530 of OMB Circular A-133: **No.**

CITY OF BIGGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION 2

None Reported

Federal Award Findings and Questioned Costs

None reported

**CITY OF BIGGS, CALIFORNIA
SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

NONE

**CITY OF BIGGS, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

NONE