

CITY OF SAN JOAQUIN

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of San Joaquin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Joaquin, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Joaquin, California, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1 to the financial statements, effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 – 41, the Schedule the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions pages 42 – 43, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the City of San Joaquin's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of San Joaquin's internal control over financial reporting and compliance.

CITY OF SAN JOAQUIN

STATEMENT OF NET POSITION JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 1,372,380	\$ 449,506	\$ 1,821,886
Accounts receivable	-	117,354	117,354
Due from other governments	1,305,270	553,037	1,858,307
Prepays	3,300	-	3,300
Notes receivable	2,560,973	-	2,560,973
Capital assets (net of allowance for depreciation)	3,309,102	7,795,080	11,104,182
Total assets	8,551,025	8,914,977	17,466,002
DEFERRED OUTFLOWS OF RESOURCES	78,844	83,528	162,372
LIABILITIES			
Accounts payable and accrued expense	17,663	127,706	145,369
Accrued interest	8,352	-	8,352
Deposits	-	85,956	85,956
Long-term liabilities			
Due within one year	14,124	3,700	17,824
Due in more than one year	360,000	293,600	653,600
Net pension liability	333,716	283,881	617,597
Compensated absences	17,503	19,856	37,359
Total liabilities	751,358	814,699	1,566,057
DEFERRED INFLOWS OF RESOURCES	55,954	22,960	78,914
NET POSITION			
Net investment in capital assets	2,934,978	7,497,780	10,432,758
Restricted for capital projects	-	178,378	178,378
Restricted for specific projects and programs	1,756,773	-	1,756,773
Unrestricted	3,130,806	484,688	3,615,494
Total net position	\$ 7,822,557	\$ 8,160,846	\$ 15,983,403

CITY OF SAN JOAQUIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 396,618	\$ -	\$ 12,275	\$ -	\$ (384,343)	\$ -	\$ (384,343)
Public safety	212,079	3,718	100,000	-	(108,361)	-	(108,361)
Public works	267,623	-	368,806	262,015	363,198	-	363,198
Parks and recreation	299,507	-	-	-	(299,507)	-	(299,507)
Community development	538,207	92,250	122,246	-	(323,711)	-	(323,711)
Debt Service							
Interest and other charges	27,924	-	-	-	(27,924)	-	(27,924)
Total governmental activities	1,741,958	95,968	603,327	262,015	(780,648)	-	(780,648)
Business-type activities							
Water	1,102,446	581,081	554,876	12,235	-	45,746	45,746
Sewer	732,763	485,386	-	34,186	-	(213,191)	(213,191)
Disposal	258,293	231,982	-	-	-	(26,311)	(26,311)
Total business-type activities	2,093,502	1,298,449	554,876	46,421	-	(193,756)	(193,756)
Total primary government	\$ 3,835,460	\$ 1,394,417	\$ 1,158,203	\$ 308,436	(780,648)	(193,756)	(974,404)
General Revenue							
Property taxes, levied for general purposes					430,892	-	430,892
Business licenses					16,437	-	16,437
Sales taxes					135,325	-	135,325
Franchise and other taxes					37,241	-	37,241
Interest and rent					46,940	2,629	49,569
Other					61,036	-	61,036
Transfers					(924)	924	-
Total general revenue					726,947	3,553	730,500
Change in Net Position					(53,701)	(190,203)	(243,904)
Net Position							
Beginning of year					7,876,258	8,351,049	16,227,307
End of year					<u>\$ 7,822,557</u>	<u>\$ 8,160,846</u>	<u>\$ 15,983,403</u>

See accompanying notes.

CITY OF SAN JOAQUIN

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General	Housing Assistance	Community Development	Measure C	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ -	\$ 101,709	\$ -	\$ 495,641	\$ 775,030	\$ 1,372,380
Due from other governments	50,726	140	258,660	10,183	20,249	339,958
Prepays	3,300	-	-	-	-	3,300
Due from other funds	-	328,642	-	-	-	328,642
Notes receivable	-	2,560,973	-	-	-	2,560,973
Total assets	<u>\$ 54,026</u>	<u>\$ 2,991,464</u>	<u>\$ 258,660</u>	<u>\$ 505,824</u>	<u>\$ 795,279</u>	<u>\$ 4,605,253</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued expense	\$ 14,559	\$ -	\$ 405	\$ -	\$ 2,699	\$ 17,663
Due to other funds	70,387	-	258,255	-	-	328,642
Total liabilities	<u>84,946</u>	<u>-</u>	<u>258,660</u>	<u>-</u>	<u>2,699</u>	<u>346,305</u>
Fund Balance						
Nonspendable						
Notes receivable	-	2,560,973	-	-	-	2,560,973
Prepays	3,300	-	-	-	-	3,300
Restricted						
Low-income housing activities	-	430,491	-	-	-	430,491
Public safety programs	-	-	-	-	44,805	44,805
Circulation improvements	-	-	-	505,824	650,642	1,156,466
Capital improvement projects	-	-	-	-	53,694	53,694
Landscape maintenance	-	-	-	-	43,439	43,439
Economic development	27,878	-	-	-	-	27,878
Unassigned	(62,098)	-	-	-	-	(62,098)
Total fund balance	<u>(30,920)</u>	<u>2,991,464</u>	<u>-</u>	<u>505,824</u>	<u>792,580</u>	<u>4,258,948</u>
Total liabilities and fund balance	<u>\$ 54,026</u>	<u>\$ 2,991,464</u>	<u>\$ 258,660</u>	<u>\$ 505,824</u>	<u>\$ 795,279</u>	<u>\$ 4,605,253</u>

See accompanying notes.

CITY OF SAN JOAQUIN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2016

Total governmental fund balances	\$ 4,258,948
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 funds	3,309,102
Receivable from the Successor Agency is not available to pay for current period expenditures and therefore is not reported in the governmental funds	965,312
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the Statement of Activities	(333,716)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	78,844
Deferred inflows of resources related to net pension liability, represent an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	(55,954)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(17,503)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(8,352)
Governmental long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(374,124)</u>
Net position of governmental activities	<u>\$ 7,822,557</u>

CITY OF SAN JOAQUIN

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	General	Housing Assistance	Community Development	Measure C	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 594,456	\$ -	\$ -	\$ -	\$ 25,441	\$ 619,897
Intergovernmental	12,275	-	384,261	190,125	278,681	865,342
Licenses, permits and impact fees	94,569	-	-	-	-	94,569
Fines and forfeitures	1,399	-	-	-	-	1,399
Interest and rent	34,197	8,442	-	1,933	2,369	46,941
Other	61,036	-	-	-	-	61,036
Total revenue	<u>797,932</u>	<u>8,442</u>	<u>384,261</u>	<u>192,058</u>	<u>306,491</u>	<u>1,689,184</u>
Expenditures						
Current						
General government	390,924	-	-	-	-	390,924
Public safety	110,517	-	-	-	100,000	210,517
Public works	-	-	-	64,141	118,857	182,998
Parks and recreation	167,845	-	-	-	-	167,845
Community development	60,931	10,613	471,619	-	-	543,163
Capital outlay	-	-	560,319	-	-	560,319
Debt service						
Principal	40,000	-	-	-	14,787	54,787
Interest and other charges	28,905	-	-	-	954	29,859
Total expenditures	<u>799,122</u>	<u>10,613</u>	<u>1,031,938</u>	<u>64,141</u>	<u>234,598</u>	<u>2,140,412</u>
Revenue over/(under) expenditures	(1,190)	(2,171)	(647,677)	127,917	71,893	(451,228)
Other Financing Sources/(Uses)						
Transfers in/(out)	<u>(53,637)</u>	<u>(199,595)</u>	<u>647,077</u>	<u>(333,957)</u>	<u>(60,812)</u>	<u>(924)</u>
	<u>(53,637)</u>	<u>(199,595)</u>	<u>647,077</u>	<u>(333,957)</u>	<u>(60,812)</u>	<u>(924)</u>
Change in Fund Balance	(54,827)	(201,766)	(600)	(206,040)	11,081	(452,152)
Fund Balance						
Beginning of year	23,907	3,193,230	600	711,864	781,499	4,711,100
End of year	<u>\$ (30,920)</u>	<u>\$ 2,991,464</u>	<u>\$ -</u>	<u>\$ 505,824</u>	<u>\$ 792,580</u>	<u>\$ 4,258,948</u>

See accompanying notes.

CITY OF SAN JOAQUIN

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Net change in fund balance - total governmental funds \$ (452,152)

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

Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds (218,290)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service 560,319

Compensated absence costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in Governmental Funds (6,621)

Pension 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 7,275

In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due 981

Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of long-term debt produces an opposite effect. 54,787

Change in net position of governmental activities \$ (53,701)

CITY OF SAN JOAQUIN

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total Business-Type Funds
ASSETS				
Current assets				
Cash and investments	\$ 369,196	\$ 50,183	\$ 30,127	\$ 449,506
Accounts receivable	55,882	39,625	21,847	117,354
Due from other governments	547,830	5,188	19	553,037
Total current assets	972,908	94,996	51,993	1,119,897
Non-current assets				
Property, plant and equipment (net of allowance for depreciation)	185,616	7,609,464	-	7,795,080
Total noncurrent assets	185,616	7,609,464	-	7,795,080
Total assets	1,158,524	7,704,460	51,993	8,914,977
DEFERRED OUTFLOWS OF RESOURCES				
	42,614	38,604	2,310	83,528
LIABILITIES				
Current liabilities				
Accounts payable and accrued expense	95,404	2,164	30,138	127,706
Deposits	85,956	-	-	85,956
Current portion of long-term debt	-	3,700	-	3,700
Total current liabilities	181,360	5,864	30,138	217,362
Non-current liabilities				
Long-term debt	-	293,600	-	293,600
Net pension liability	143,652	132,823	7,406	283,881
Compensated absences	9,488	9,478	890	19,856
Total noncurrent liabilities	153,140	435,901	8,296	597,337
Total liabilities	334,500	441,765	38,434	814,699
DEFERRED INFLOWS OF RESOURCES				
	10,547	12,220	193	22,960
NET POSITION				
Net investment in capital assets	185,616	7,312,164	-	7,497,780
Reserved for capital projects	178,378	-	-	178,378
Unrestricted/(deficit)	492,097	(23,085)	15,676	484,688
Total net position	\$ 856,091	\$ 7,289,079	\$ 15,676	\$ 8,160,846

CITY OF SAN JOAQUIN

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Revenue				
Charges for services	\$ 581,081	\$ 485,386	\$ 231,982	\$ 1,298,449
Total operating revenue	<u>581,081</u>	<u>485,386</u>	<u>231,982</u>	<u>1,298,449</u>
Operating Expense				
Contractual services and utilities	405,853	108,089	235,430	749,372
Personnel	263,924	238,412	15,103	517,439
Supplies and materials	409,777	143,968	7,760	561,505
Depreciation	22,892	229,130	-	252,022
Total operating expense	<u>1,102,446</u>	<u>719,599</u>	<u>258,293</u>	<u>2,080,338</u>
Operating income/(loss)	<u>(521,365)</u>	<u>(234,213)</u>	<u>(26,311)</u>	<u>(781,889)</u>
Nonoperating Revenue/(Expense)				
Intergovernmental	567,111	34,186	-	601,297
Interest income	2,288	159	182	2,629
Interest expense	-	(13,164)	-	(13,164)
Total nonoperating revenue/(expense)	<u>569,399</u>	<u>21,181</u>	<u>182</u>	<u>590,762</u>
Net income/(loss) before transfers	48,034	(213,032)	(26,129)	(191,127)
Operating Transfers In/(Out)	<u>924</u>	<u>-</u>	<u>-</u>	<u>924</u>
Change in Net Position	<u>48,958</u>	<u>(213,032)</u>	<u>(26,129)</u>	<u>(190,203)</u>
Net Position				
Beginning of year	807,133	7,502,111	41,805	8,351,049
End of year	<u>\$ 856,091</u>	<u>\$ 7,289,079</u>	<u>\$ 15,676</u>	<u>\$ 8,160,846</u>

CITY OF SAN JOAQUIN

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Activities				
Receipts from customers and users	\$ 598,142	\$ 562,172	\$ 232,972	\$ 1,393,286
Payments for contractual services and utilities	(334,206)	(132,233)	(238,889)	(705,328)
Payments to employees	(262,158)	(236,308)	(14,743)	(513,209)
Payments to suppliers	(409,780)	(143,968)	(7,760)	(561,508)
Net cash provided by (used in) operating activities	(408,002)	49,663	(28,420)	(386,759)
Non-capital Financial Activities				
Payments received from other governments	44,065	34,186	-	78,251
Payments received from (paid to) other funds	17,985	(17,061)	-	924
Net cash provided by (used in) noncapital financing activities	62,050	17,125	-	79,175
Capital and Related Financing Activities				
Principal paid on long-term debt	-	(3,600)	-	(3,600)
Interest paid on long-term debt	-	(13,164)	-	(13,164)
Net cash provided by (used in) capital and related financing activities	-	(16,764)	-	(16,764)
Investing Activities				
Interest received	2,288	159	182	2,629
Net cash provided by (used in) investing activities	2,288	159	182	2,629
Net Increase (Decrease) in Cash and Investments	(343,664)	50,183	(28,238)	(321,719)
Cash and Investments				
Beginning of year	712,860	-	58,365	771,225
End of year	\$ 369,196	\$ 50,183	\$ 30,127	\$ 449,506
Cash Flows from Operating Activities				
Operating income (loss)	\$ (521,365)	\$ (234,213)	\$ (26,311)	\$ (781,889)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	22,892	229,130	-	252,022
(Increase) Decrease in Accounts Receivable	8,270	11,097	986	20,353
(Increase) Decrease in Due from other Governments	-	65,689	4	65,693
(Increase) Decrease in Prepaids	635	635	-	1,270
(Increase) Decrease in Deferred Outflows of Resources	(28,861)	(25,506)	(1,654)	(56,021)
Increase (Decrease) in Compensated absences	5,355	5,355	554	11,264
Increase (Decrease) in Net Pension Liability	72,035	64,617	3,996	140,648
Increase (Decrease) in Deferred Inflows of Resources	(46,763)	(42,362)	(2,536)	(91,661)
Increase (Decrease) in Deposits	8,791	-	-	8,791
Increase (Decrease) in Accounts Payable and Accrued Liabilities	71,009	(24,779)	(3,459)	42,771
Net Cash Provided (Used) by Operating Activities	\$ (408,002)	\$ 49,663	\$ (28,420)	\$ (386,759)

See accompanying notes.

CITY OF SAN JOAQUIN

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2016

Assets

Cash and investments	
Held in City Treasury	\$ 7,830
Total assets	<u>7,830</u>

Liabilities

Long-term debt	
Due to City of San Joaquin in more than one year	<u>965,312</u>
Total liabilities	<u>965,312</u>

Net Position

Held in trust for other governments	<u>\$ (957,482)</u>
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CITY OF SAN JOAQUIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2016

Additions

Property taxes	\$ 182,079
Total additions	<u>182,079</u>

Deductions

Administrative costs	<u>171,619</u>
Total deductions	<u>171,619</u>

Change In Net Position	10,460
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Net Position

Beginning of year	<u>(967,942)</u>
End of year	<u><u>\$ (957,482)</u></u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of San Joaquin (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City of San Joaquin, State of California (the "City"), was incorporated February 14, 1920. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water, sewer and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted Net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Housing Assistance Fund – The Housing Assistance Fund was established to account for the monies received from various sources which are to be used for down payment loans for home buyers that meet certain requirements.

Community Development Fund – The Community Development Fund was established to account for the monies received from various sources which are to be used for the construction of various projects.

Measure C Fund – The Measure C Fund was established to account for the monies received from the ½ sales tax from Fresno County Transportation Authority which are to be used for street projects.

The City reports the following additional fund types:

Private-Purpose Trust Funds - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Investments - Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Accounts Receivable - Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year-end accrual for services through June 30, 2016, which have not yet been billed.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

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 assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such 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 assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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 are included as part of the capitalized value of the assets constructed.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings	40
Improvements other than buildings	40
Utility plant	40
Furniture and equipment	7
Automobiles and trucks	5

Compensated Absences - It is the City's policy to permit all employees to accumulate earned but unused vacation, sick leave and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday, sick leave and any compensation time on the Governmental Funds are not expected to be paid with expendable available financial resources and are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

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 Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using 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.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. 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.

Non-Current Governmental Assets/Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

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

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position/Fund Equity - The government-wide and business-type activities fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the City, not restricted for any project or other purpose.

Fund Equity – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Current Year GASB Implementation

For the year ended June 30, 2016, the City implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of Statement No. 72. All required disclosures were added to Note 3.

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the San Joaquin Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,821,886
Fiduciary Funds:	
Cash and Investments	7,830
Total Cash and Investments	<u>\$ 1,829,716</u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 900
Deposits with Financial Institutions	1,245,500
Local Agency Investment Fund	582,438
Held by Fiscal Agent:	
Cash	<u>878</u>
Total Cash and Investments	<u>\$ 1,829,716</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2016 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund	\$ 582,438	N/A
Held by Bond Trustee:		
Cash	878	N/A
Total	<u>\$ 583,316</u>	

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund	\$ 582,438	N/A	\$ 582,438
Held by Bond Trustee:			
Cash	878	N/A	878
Total	<u>\$ 583,316</u>		<u>\$ 583,316</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

Custodial Credit Risk

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

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 3 – Cash and Investments (Continued)

\$994,309 of the City's deposits with financial institutions was in excess of federal depository insurance limits.

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

Investment in State Investment Pool

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

Note 4 – Notes Receivables

The City is the recipient of Community Development Block Grant and Home Program Funds. The funds are provided to use for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 4%. The terms of the loans range between fifteen and thirty years. All loans are secured by deeds of trust. The amount outstanding as of June 30, 2016 is \$2,560,973.

Note 5 – Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2016 are as follows:

	Due From	Due To
General Fund	\$ -	\$ 70,387
Community Development Fund	-	258,255
Housing Assistance Fund	328,642	-
	<u>\$ 328,642</u>	<u>\$ 328,642</u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 340,670	\$ -	\$ -	\$ 340,670
Total capital assets, not being depreciated	<u>340,670</u>	<u>-</u>	<u>-</u>	<u>340,670</u>
Capital assets, being depreciated				
Buildings and improvements	2,685,284	-	-	2,685,284
Infrastructure	946,436	268,827	-	1,215,263
Machinery and equipment	774,647	291,492	-	1,066,139
Total capital assets, being depreciated	<u>4,337,808</u>	<u>560,319</u>	<u>-</u>	<u>4,966,686</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,016,413)	(109,365)	-	(1,125,778)
Infrastructure	(165,158)	(30,382)	-	(195,540)
Machinery and equipment	(598,393)	(78,543)	-	(676,936)
Total accumulated depreciation	<u>(1,779,964)</u>	<u>(218,290)</u>	<u>-</u>	<u>(1,998,254)</u>
Total capital assets, being depreciated, net	<u>2,626,403</u>	<u>342,029</u>	<u>-</u>	<u>2,968,432</u>
Governmental activities capital assets, net	<u>\$ 2,967,073</u>	<u>\$ 342,029</u>	<u>\$ -</u>	<u>\$ 3,309,102</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 123,266	\$ -	\$ -	\$ 123,266
Total capital assets, not being depreciated	<u>123,266</u>	<u>-</u>	<u>-</u>	<u>123,266</u>
Capital assets, being depreciated				
Plant and equipment	9,912,272	-	-	9,912,272
Total capital assets, being depreciated	<u>9,912,272</u>	<u>-</u>	<u>-</u>	<u>9,912,272</u>
Less: accumulated depreciation	<u>(1,988,436)</u>	<u>(252,022)</u>	<u>-</u>	<u>(2,240,458)</u>
Total capital assets, being depreciated, net	<u>7,923,836</u>	<u>(252,022)</u>	<u>-</u>	<u>7,671,814</u>
Business-type activities capital assets, net	<u>\$ 8,267,046</u>	<u>\$ (252,022)</u>	<u>\$ -</u>	<u>\$ 7,795,080</u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 6 – Capital Assets (Continued)

Depreciation expense were charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$	5,914
Public Safety		455
Public Works		78,987
Parks and recreation		132,934
	\$	<u>218,290</u>

Business-Type Functions:

Water	\$	22,892
Sewer		229,130
	\$	<u>252,022</u>

Note 7 – Long-Term Debt

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
<u>Governmental Activity Long Term Debt</u>					
Capital Lease					
John Deere Backhoe Loader	\$ 28,911	\$ -	\$ (14,787)	\$ 14,124	\$ 14,124
Public Finance Authority Bonds					
92-1 and 92-2	<u>400,000</u>	<u>-</u>	<u>(40,000)</u>	<u>360,000</u>	<u>-</u>
	<u>\$ 658,077</u>	<u>\$ -</u>	<u>\$ (54,787)</u>	<u>\$ 374,124</u>	<u>\$ 14,124</u>
<u>Business-Type Activity Long Term Debt</u>					
Loan Payable					
USDA Sewer Loan	<u>\$ 300,900</u>	<u>\$ -</u>	<u>\$ (3,600)</u>	<u>\$ 297,300</u>	<u>\$ 3,700</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 10,882</u>	<u>\$ 6,621</u>	<u>\$ -</u>	<u>\$ 17,503</u>	
Business-Type Activities	<u>\$ 8,592</u>	<u>\$ 11,264</u>	<u>\$ -</u>	<u>\$ 19,856</u>	

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 7 – Long-Term Debt (Continued)

Capital Lease Payable – The City entered into a capital lease agreement in 2012 for \$78,789 to purchase a backhoe loader. Interest on the lease is 4.3 percent. The current total outstanding balance is \$14,124.

Public Finance Authority – The City has assumed full responsibility for the payment of two revenue bonds issued by the San Joaquin Public Finance Authority. The bonds were issued in 1993 to fund several special assessment districts and the General, Water and Sewer capital leases. As these funds are reporting their proportionate share of the debt, the remaining portion is reported as a general City obligation. The City retired a portion of the Series 1992 revenue bonds during the fiscal year ending June 30, 2010. During the fiscal year ending June 30, 2013 the Water and Sewer funds retired their portion of the debt by transferring \$195,000 to the General Fund. The full amount of the debt is now payable by the General Fund. Interest on the remaining Series 1992 revenue bond is 8% with final payment on the Series 1992 in 2022. The current total outstanding balance is \$360,000.

USDA Sewer Loan Payable - In 2011 the City entered into an agreement with the USDA to partially finance the sewer plant expansion. The loan agreement is for an amount not to exceed \$315,000 and bears interest at 4.375% with semi-annual payments on October 1st and April 1st. At June 30, 2016 the loan outstanding amounts to \$297,300.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2016 are as follows:

Years ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 14,124	\$ 29,106	\$ 3,700	\$ 13,007
2018	-	28,800	3,900	12,846
2019	-	28,800	4,100	12,674
2020	-	28,800	4,300	12,496
2021	-	72,000	4,400	12,306
2022-2026	360,000	-	25,300	58,460
2027-2031	-	-	31,300	52,418
2032-2036	-	-	38,800	44,940
2037-2041	-	-	48,100	35,680
2042-2046	-	-	59,600	24,194
2047-2051	-	-	73,800	9,970
	<u>\$ 374,124</u>	<u>\$ 187,506</u>	<u>\$ 297,300</u>	<u>\$ 288,991</u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 8 – Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 53,637
Community Development Fund	647,077	-
Housing Assistance	-	199,595
Measure C Fund	-	333,957
Water Fund	924	-
Nonmajor Governmental Funds:		
Local Transportation Fund	-	10,000
Impact Fees Fund	-	15,919
	<u>\$ 648,001</u>	<u>\$ 648,001</u>

Note 9 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following deferred outflows related to net pension liability in the Statement of Net Position:

Fiscal year 2015-16 pension contributions subsequent to measurement date	\$ 74,548
Difference between expected and actual experience	4,523
Adjustment due to differences in proportions	<u>83,301</u>
Total deferred outflows of resources	<u>\$162,372</u>

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 9 – Deferred Outflows and Deferred Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred inflows related to net pension in the Statement of Net Position:

Net differences between projected and actual earnings on pension plan investments	\$ 21,451
Difference in projected and actual contributions	14,672
Changes in assumptions or other inputs	<u>42,791</u>
Total deferred inflows of resources	<u>\$ 78,914</u>

Note 10 – Pension Plan

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension 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 state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy - Participants are required to contribute seven percent of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.032 percent for non-safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Classic Prior to January 1, 2013	PEPRA Miscellaneous After or On January 1, 2013
Hire Date		
Benefit Formula	2.0% at 55; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	6.25%
Required Employer Contribution Rates	8.003%	0.000%

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 10 – Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 74,548
Contributions – employee	\$ 44,987

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of <u>Net Pension Liability</u>
Miscellaneous	\$617,597

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2014	0.01380%
Proportion – June 30, 2015	0.02251%
Change – Increase/(Decrease)	0.00871%

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 10 – Pension Plan (Continued)

For the year ended June 30, 2016, the City recognized pension expense of \$86,940. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 74,548	\$ -
Adjustment due to differences in proportions	83,301	-
Difference between projected and actual contributions	-	(14,672)
Difference between expected and actual experience in the Total Pension Liability	4,523	
Changes in assumptions or other inputs	-	(42,791)
Net differences between projected and actual earnings on pension plan investments	-	(21,451)
Total	<u>\$ 162,372</u>	<u>\$ (78,914)</u>

\$40,548 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ 2,344
2017	2,344
2018	2,344
2019	1,877

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 10 – Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for fiscal years 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 10 – Pension Plan (Continued)

Change of assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected nominal rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 10 – Pension Plan (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return ² Years 11+
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

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

- The following presents the City's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability	\$ 1,035,774	\$ 617,597	\$ 272,366

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2016, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 11 – Concentrations

The Successor Agency owes the City \$965,312 from cash pool overdrafts. Should the Agency be unable to repay the City debt in the future, this could create financial difficulties for the City. Management believes that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill.

Note 12 – Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000.

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2015 is as follows:

Total assets	\$ 86,630,360
Total liabilities	<u>73,673,710</u>
Net position	<u>\$ 12,956,650</u>
Total revenues	\$ 38,130,606
Total expenses	<u>40,427,807</u>
Increase/(decrease) in net position	<u>\$ (2,297,201)</u>

Note 13 – Contingencies

Federal and State Government Programs - The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SAN JOAQUIN

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

Note 14 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through September 28, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN JOAQUIN

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Taxes	\$ 850,193	\$ 850,193	\$ 594,456	\$ (255,737)
Intergovernmental	-	-	12,275	12,275
Licenses, permits and impact fees	13,850	13,850	94,569	80,719
Fines and forfeitures	1,500	1,500	1,399	(101)
Interest and rents	34,265	34,265	34,197	(68)
Other	6,000	6,000	61,036	55,036
Total revenue	<u>905,808</u>	<u>905,808</u>	<u>797,932</u>	<u>(107,876)</u>
Expenditures				
Current				
General government	399,114	399,114	390,924	8,190
Public safety	134,290	134,290	110,517	23,773
Parks and recreation	149,019	149,019	167,845	(18,826)
Community development	88,795	88,795	60,931	27,864
Capital outlay	3,000	3,000	-	3,000
Debt service				
Principal	40,000	40,000	40,000	-
Interest and other charges	26,000	26,000	28,905	(2,905)
Total expenditures	<u>840,218</u>	<u>840,218</u>	<u>799,122</u>	<u>41,096</u>
Revenue over (under)expenditures	65,590	65,590	(1,190)	(66,780)
Other Financing Sources/(Uses)				
Transfers in/(out)	(27,000)	(27,000)	(53,637)	(26,637)
	<u>(27,000)</u>	<u>(27,000)</u>	<u>(53,637)</u>	<u>(26,637)</u>
Net Change in Fund Balance	<u>\$ 38,590</u>	<u>\$ 38,590</u>	(54,827)	<u>\$ (93,417)</u>
Fund Balance				
Beginning of year			23,907	
End of year			<u>\$ (30,920)</u>	

CITY OF SAN JOAQUIN

BUDGETARY COMPARISON SCHEDULE HOUSING ASSISTANCE FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Interest	\$ -	\$ -	\$ 8,442	\$ 8,442
Total revenue	-	-	8,442	8,442
Expenditures				
Current				
Community development	-	-	10,613	(10,613)
Total expenditures	-	-	10,613	(10,613)
Revenue over (under)expenditures	-	-	(2,171)	(2,171)
Other Financing Sources/(Uses)				
Transfers in/(out) - net	-	-	(199,595)	(199,595)
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(201,766)	<u>\$ (201,766)</u>
Fund Balance				
Beginning of year			3,193,230	
End of year			<u>\$ 2,991,464</u>	

CITY OF SAN JOAQUIN

BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ -	\$ -	\$ 384,261	\$ 384,261
Total revenue	-	-	384,261	384,261
Expenditures				
Current				
Community development	-	-	471,619	(471,619)
Capital outlay	-	-	560,319	(560,319)
Total expenditures	-	-	1,031,938	(1,031,938)
Revenue over (under)expenditures	-	-	(647,677)	(647,677)
Other Financing Sources/(Uses)				
Transfers in/(out)	-	-	647,077	647,077
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(600)	<u>\$ (600)</u>
Fund Balance				
Beginning of year			600	
End of year			<u>\$ -</u>	

CITY OF SAN JOAQUIN

BUDGETARY COMPARISON SCHEDULE MEASURE C FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 207,080	\$ 207,080	\$ 190,125	\$ (16,955)
Interest and rent	800	800	1,933	1,133
Total revenue	<u>207,880</u>	<u>207,880</u>	<u>192,058</u>	<u>(15,822)</u>
Expenditures				
Current				
Public works	<u>199,080</u>	<u>199,080</u>	<u>64,141</u>	<u>134,939</u>
Total expenditures	<u>199,080</u>	<u>199,080</u>	<u>64,141</u>	<u>134,939</u>
Revenue over (under)expenditures	8,800	8,800	127,917	119,117
Other Financing Sources/(Uses)				
Transfers in/(out)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(333,957)</u>	<u>(83,957)</u>
Net Change in Fund Balance	<u>\$ (241,200)</u>	<u>\$ (241,200)</u>	<u>(206,040)</u>	<u>\$ 35,160</u>
Fund Balance				
Beginning of year			<u>711,864</u>	
End of year			<u>\$ 505,824</u>	

CITY OF SAN JOAQUIN

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST 10 YEARS* YEAR ENDED JUNE 30, 2016

	Miscellaneous	
	2015	2016
Proportion of the net pension liability	0.01380%	0.02251%
Proportionate share of the net pension liability	\$ 341,032	\$ 617,597
Covered - employee payroll	\$ 594,000	\$ 777,960
Proportionate share of the net pension liability as a percentage of covered-employee payroll	57.41%	79.39%
Plan's fiduciary net position	\$ 2,970,654	\$ 2,730,765
Plan's fiduciary net position as a percentage of the Total Pension Liability	89.70%	81.56%

*Fiscal year 2014-15 was the first year of implementation, therefore only two years shown.

CITY OF SAN JOAQUIN

SCHEDULE OF CONTRIBUTIONS LAST 10 YEARS* YEAR ENDED JUNE 30, 2016

	Miscellaneous	
	2015	2016
Contractually required contribution (actuarially determined)	\$ 58,000	\$ 65,492
Contributions in relation to the actuarially determined contributions	(58,000)	(65,492)
Contributions deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 561,000	\$ 777,960
Contributions as a percentage of covered-employee payroll	10.28%	8.42%

*Fiscal year 2014-15 was the first year of implementation, therefore only two years shown.

Notes to Schedule of Contributions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement Age	the 2010 CalPERS Experience Study for the
	The probabilities of Retirement are based on
	the 2010 CalPERS Experience Study for the
	period from 1997 to 2007. Pre-retirement and
	Post-retirement mortality rates include 5 years
	of projected mortality improvement using
	Scale AA published by the Society of
Mortality	Actuaries
Payroll Growth	3.00%

SUPPLEMENTAL ONLY INFORMATION

CITY OF SAN JOAQUIN

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Public Safety	Gas Tax	Local Transportation	Impact Fees	Landscape Maintenance	Total Non-major Governmental Funds
ASSETS						
Cash and investments	\$ 44,796	\$ 305,704	\$ 326,058	\$ 53,694	\$ 44,778	\$ 775,030
Due from other governments	9	7,468	12,757	-	15	20,249
Total assets	<u>\$ 44,805</u>	<u>\$ 313,172</u>	<u>\$ 338,815</u>	<u>\$ 53,694</u>	<u>\$ 44,793</u>	<u>\$ 795,279</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued expense	-	1,345	-	-	1,354	\$ 2,699
Total liabilities	<u>-</u>	<u>1,345</u>	<u>-</u>	<u>-</u>	<u>1,354</u>	<u>2,699</u>
Fund Balance						
Restricted						
Public safety programs	\$ 44,805	\$ -	\$ -	\$ -	\$ -	\$ 44,805
Circulation improvements	-	311,827	338,815	-	-	650,642
Capital improvement projects	-	-	-	53,694	-	53,694
Landscape maintenance	-	-	-	-	43,439	43,439
Total fund balance	<u>44,805</u>	<u>311,827</u>	<u>338,815</u>	<u>53,694</u>	<u>43,439</u>	<u>792,580</u>
Total liabilities and fund balance	<u>\$ 44,805</u>	<u>\$ 313,172</u>	<u>\$ 338,815</u>	<u>\$ 53,694</u>	<u>\$ 44,793</u>	<u>\$ 795,279</u>

CITY OF SAN JOAQUIN

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	Public Safety	Gas Tax	Local Transportation	Impact Fees	Landscape Maintenance	Total Non-major Governmental Funds
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 25,441	\$ 25,441
Intergovernmental	100,000	90,245	88,436	-	-	278,681
Interest	60	956	991	205	157	2,369
Total revenue	<u>100,060</u>	<u>91,201</u>	<u>89,427</u>	<u>205</u>	<u>25,598</u>	<u>306,491</u>
Expenditures						
Current						
Public safety	100,000	-	-	-	-	100,000
Public works	-	34,266	49,340	-	35,251	118,857
Debt service						
Principal	-	14,787	-	-	-	14,787
Interest and other charges	-	954	-	-	-	954
Total expenditures	<u>100,000</u>	<u>50,007</u>	<u>49,340</u>	<u>-</u>	<u>35,251</u>	<u>234,598</u>
Revenue over (under) expenditures	60	41,194	40,087	205	(9,653)	71,893
Other financing sources/(uses)						
Operating transfers in/(out) - net	-	(34,893)	(10,000)	(15,919)	-	(60,812)
	<u>-</u>	<u>(34,893)</u>	<u>(10,000)</u>	<u>(15,919)</u>	<u>-</u>	<u>(60,812)</u>
Change in Fund Balance	60	6,301	30,087	(15,714)	(9,653)	11,081
Fund Balance						
Beginning of year	44,745	305,526	308,728	69,408	53,092	781,499
End of year	<u>\$ 44,805</u>	<u>\$ 311,827</u>	<u>\$ 338,815</u>	<u>\$ 53,694</u>	<u>\$ 43,439</u>	<u>\$ 792,580</u>

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

To the Honorable Mayor and City Council
City of San Joaquin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Joaquin, California, (the “City”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 28, 2016