

## Table of Contents

Agenda . . . . .	2
Minutes	
September 21, 2016 . . . . .	5
Payroll	
Payroll/Overtime Report . . . . .	7
Warrants	
Accounts Payable. . . . .	10
Resolution Approving Donation of Non-Functional GEM Cars to KUSD	
Staff Report - Donation to KUSD . . . . .	19
Resolution Accepting Public Street Right-of-Way from Ernest R. Quiroz Trust of 2002 for Public Use	
Staff Report - Quiroz Right-of-Way Acceptance. . . . .	23
Resolution Approving Non-Support of Proposition 57	
Staff Report - Proposition 57 . . . . .	29
Presentation of the City of Kerman 2015/2016 Auditor's Report and Financial Statements	
Staff Report - Audit . . . . .	31
Audit . . . . .	33
Resolution Adopting Amendments to the Conflict of Interest Code	
Staff Report - 2016 Biennial Conflict of Interest. . . . .	102
2016 Biennial Conflict of Interest Code . . . . .	108



**AGENDA**  
**KERMAN CITY COUNCIL**  
**REGULAR MEETING**  
**Kerman City Hall**  
**850 S. Madera Avenue**  
**Wednesday, October 5, 2016**  
**6:30 PM**

Stephen B. Hill – Mayor  
Gary Yep – Mayor Pro Tem  
Rhonda Armstrong – Council Member  
Kevin Nehring – Council Member  
Bill Nijjer – Council Member

---

ALL MEETING ATTENDEES ARE ADVISED THAT ALL PAGERS, CELLULAR TELEPHONES AND ANY OTHER COMMUNICATION DEVICES SHOULD BE POWERED OFF UPON ENTERING THE COUNCIL CHAMBERS, AS THESE DEVICES INTERFERE WITH OUR AUDIO EQUIPMENT.

---

#### OPENING CEREMONIES

- Welcome – Mayor
- Call to Order
- Roll Call
- Invocation

*At this time the Council wishes to provide anyone an opportunity to give a brief invocation or inspirational thought. In accordance with law, we would request this opportunity not be used to recruit converts, to advance anyone, or to disparage any other faith or belief. If no one steps forward, we will observe a moment of silence so that we may all focus our thoughts on how best to serve our community.*

- Pledge of Allegiance – City Clerk

#### AGENDA APPROVAL/ADDITIONS/DELETIONS

*To accommodate members of the public or convenience in the order of presentation, items on the agenda may not be presented or acted upon in the order listed.*

#### 1. PRESENTATIONS/CEREMONIAL MATTERS

- A. Swearing In of Officer Miguel Antuna (JKB)

#### REQUEST TO ADDRESS COUNCIL

*This portion of the meeting is reserved for members of the public to address the Council on items of interest that are not on the Agenda and are within the subject matter jurisdiction of the Council. Speakers shall be limited to three minutes. It is requested that no comments be made during this period on items on the Agenda. Members of the public wishing to address the Council on items on the Agenda should notify the Mayor when that Agenda item is called, and the Mayor will recognize your discussion at that time. It should be noted that the Council is prohibited by law from taking any action on matters discussed that are not on the Agenda. Speakers are asked to please use the microphone, and provide their name and address.*

## 2. CONSENT CALENDAR

*Matters listed under the Consent Calendar are considered routine and will be enacted by one motion and one vote. There will be no separate discussion of these items. If discussion is desired, a member of the audience or a Council Member may request an item be removed from the Consent Calendar and it will be considered separately.*

### A. SUBJECT: Minutes

RECOMMENDATION: Council approve minutes as presented.

ATTACHMENTS: [September 21, 2016](#)

### B. SUBJECT: Payroll

Payroll Report: 8/28/2016 - 9/10/2016: \$141,141.71; Retro Pay & Other: \$312.66; Overtime: \$2,882.25; Holiday at 1/2 Time: \$1,015.66; Standby: \$1,310.50; Comp Time Earned: 3.75

RECOMMENDATION: Council approve payroll as presented.

ATTACHMENTS: [Payroll/Overtime Report](#)

### C. SUBJECT: Warrants

1. Nos. 9465-9539 \$402,660.36
2. Excepting Sebastian 9523 \$2,756.31

RECOMMENDATION: Council approve warrants and electronic bank transfers as presented. (Pursuant to Government Code 37208)

ATTACHMENTS: [Accounts Payable](#)

### D. SUBJECT: Resolution Approving Donation of Non-Functional GEM Cars To KUSD (KM)

RECOMMENDATION: Adopt resolution approving the donation of two (2) 2001 non-functional electric GEM cars to Kerman Unified School District.

ATTACHMENTS: [Staff Report - Donation to KUSD](#)

### E. SUBJECT: Resolution Accepting Public Street Right-of-Way from Ernest R. Quiroz Trust of 2002 for Public Use (JJ)

RECOMMENDATION: Council by motion adopt the resolution accepting the public street right-of-way from the Ernest R. Quiroz Trust of 2002 for public use.

ATTACHMENTS: [Staff Report - Quiroz Right-of-Way Acceptance](#)

## 3. PUBLIC HEARINGS

None

4. DEPARTMENT REPORTS

A. SUBJECT: Resolution Approving Non-Support of Proposition 57 (JKB)

RECOMMENDATION: Council by motion adopt resolution approving non-support of Proposition 57.

ATTACHMENTS: [Staff Report - Proposition 57](#)

B. SUBJECT: Presentation of the City of Kerman 2015/2016 Auditor's Report and Financial Statements (TJ)

RECOMMENDATION: Council by motion approve the City of Kerman 2015/2016 Auditor's Report and Financial Statements as presented.

ATTACHMENTS: [Staff Report - Audit](#)

C. SUBJECT: Resolution Adopting Amendments to the Conflict of Interest Code (MR)

RECOMMENDATION: Council by motion adopt resolution amending the Conflict of Interest Code and accept the 2016 Local Agency Biennial Notice.

ATTACHMENTS: [Staff Report - 2016 Biennial Conflict of Interest](#)

5. CITY MANAGER/STAFF COMMUNICATIONS

6. MAYOR/COUNCIL REPORTS

A. Big Fresno Fair City Horse Race – Sunday, October 16, 12:15 p.m.

7. CLOSED SESSION

None

COUNCIL RECESS TO CONVENE AS THE PUBLIC FINANCE AUTHORITY  
([Separate agenda attached.](#))

8. ADJOURNMENT

---

Agenda packet is available for review 72 hours prior to the meeting at the city clerk's office and on the city website. Items received at the meeting will be available for review at the city clerk's office.

In compliance with the American with Disabilities Act (ADA), if you need special assistance to participate at this meeting, please contact the City Clerk at (559) 846-9380. Notification of 48 hours prior to the meeting will enable the City Clerk to make reasonable arrangement to ensure accessibility to this meeting. Pursuant to the ADA, the meeting room is accessible to the physically handicapped.

---



**MINUTES**  
**KERMAN CITY COUNCIL**  
**REGULAR MEETING**  
**Kerman City Hall**  
**850 S. Madera Avenue**  
**Wednesday, September 21, 2016**  
**6:30 PM**

Stephen B. Hill – Mayor  
 Gary Yep – Mayor Pro Tem  
 Rhonda Armstrong – Council Member  
 Kevin Nehring – Council Member  
 Bill Nijjer – Council Member

Present: Mayor Hill (SH), Gary Yep (GY), , Kevin Nehring (KN) Bill Nijjer (BN)  
 Absent: Rhonda Armstrong (RA)  
 Also Present: City Manager Kunkel, City Attorney Cantú, Chief of Police,  
 Community Services Director, Finance Director, Public Works Director, City  
 Engineer, Planning Technician

Voting: Yes, No,  
 Absent (Abstain  
 or Recuse if  
 needed)

**OPENING CEREMONIES**

- Welcome – Mayor
- Call to Order
- Roll Call
- Invocation
- Pledge of Allegiance – City Clerk

6:39 p.m.

All present  
 except RA  
 SH

Performed

**AGENDA APPROVAL/ADDITIONS/DELETIONS**

Approved GY/KN  
 (4-0-1) RA

**1. PRESENTATIONS/CEREMONIAL MATTERS**

None

**REQUEST TO ADDRESS COUNCIL**

Stephanie Newart  
 Espi Sandoval

**2. CONSENT CALENDAR**

Approved KN/GY  
 (4-0-1) RA

**A. SUBJECT: Minutes**

**RECOMMENDATION: Council approve minutes as presented.**

**B. SUBJECT: Payroll**

Payroll Report: 08/14/2016 - 08/27/2016: \$137,712.56; Overtime:  
 \$3,032.12; Standby: \$1,551.95; Comp Time Earned: 8.25

**RECOMMENDATION: Council approve payroll as presented.**

**C. SUBJECT: Warrants**

1. NOS. 9380-9464: \$116,971.87

**RECOMMENDATION: Council approve warrants and electronic bank  
 transfers as presented. (Pursuant to Government Code 37208)**

D. SUBJECT: Monthly Investment Report Ending August 31, 2016 (TJ)  
RECOMMENDATION: Council accept the Monthly Investment Report as presented

3. PUBLIC HEARINGS

A. SUBJECT: Fiscal Year 2017-2018 Community Development Block Grant Funding Application for Stanislaus Avenue Park Project (JJ)

RECOMMENDATION: Council take the following action:

1. Open the public hearing, solicit public input, close the public hearing; and
2. Adopt by motion resolution authorizing the submission of an application for Fiscal Year 2017-2018 Community Development Block Grant (CDBG) Funds for the Stanislaus Avenue Park Project.

Opened PH.

Michele Arvance  
Espinoza Sandoval

Closed PH.

Approved KN/BN  
(4-0-1) RA

Res 16-59

4. DEPARTMENT REPORTS

A. SUBJECT: Fiscal Year 2016/2017 Capital Project Overview (JJ)

RECOMMENDATION: Informational only.

Presented

B. SUBJECT: Resolution Approving the Adult Compliance Team Agreement

RECOMMENDATION: Council by motion adopt resolution approving Adult Compliance Team.

Approved BN/BY  
(4-0-1) RA

Res 16-60

5. CITY MANAGER/STAFF COMMUNICATIONS

6. MAYOR/COUNCIL REPORTS

7. CLOSED SESSION

None

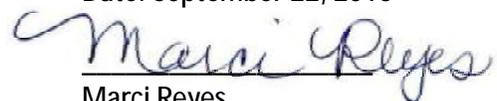
8. ADJOURNMENT

8:02 p.m.  
Approved GY/BN  
(4-0-1) RA

MINUTES CERTIFICATION

I, MARCI REYES, City Clerk for the City of Kerman, do hereby declare under penalty of perjury that the above Minutes are a true depiction of all actions taken at the City Council meeting held on the first date above written at Kerman City Hall, 850 S. Madera Ave, Kerman, CA.

Date: September 22, 2016



Marci Reyes  
City Clerk

# CITY OF KERMAN PAYROLL REPORT

PAY PERIOD: August 28, 2016 - September 10, 2016

EMPLOYEE	SALARY	RETRO PAY	OVERTIME		HOLIDAY at 1/2 TIME		STANDBY		GROSS SALARY	COMP TIME EARNED
		& Other	HOURS	AMOUNT	HOURS	AMOUNT	HOURS	AMOUNT		
<b>ADMINISTRATION</b>										
Alvarez, Josefina	\$ 1,881.23	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,881.23	-
Camacho, Josie	\$ 1,250.31	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,250.31	-
Camacho-Collier, Caroline	\$ 2,533.85	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,533.85	-
Gonzalez, Diana	\$ 1,993.55	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,993.55	-
Jones, Toni	\$ 3,698.31	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 3,698.31	-
Kunkel, John	\$ 5,884.62	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 5,884.62	-
Lopez, Jacqueline	\$ 1,055.54	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,055.54	-
Mendoza, Gabriela	\$ 1,191.23	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,191.23	-
Nazaroff, Helen	\$ 2,107.85	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,107.85	-
Reyes, Marcia	\$ 2,715.69	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,715.69	-
<b>TOTAL</b>	<b>\$ 24,312.16</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 24,312.16</b>	<b>-</b>
<b>REC/SOCIAL</b>										
Arredondo, Barbara	\$ 269.86	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 269.86	-
Arredondo, Raquel	\$ 88.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 88.00	-
Burdine-Slaven, Jeanna	\$ 1,683.23	\$ 88.34	-	\$ -	-	\$ -	-	\$ -	\$ 1,771.57	-
Escamilla, Emi	\$ 34.50	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 34.50	-
Gallegos, Philip	\$ 3,734.77	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 3,734.77	-
Garfias, Brayan	\$ 110.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 110.00	-
Gonzalez, Jose Felix	\$ 1,697.88	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,697.88	-
Hurlbert, Ronald	\$ 291.50	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 291.50	-
Johnson, Theresa	\$ 1,767.23	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,767.23	-
LeBlanc, Noah	\$ 320.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 320.00	-
Lujan, Vanessa	\$ 600.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 600.00	-
Negrete, Dean	\$ 494.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 494.00	-
Salvador, Mark	\$ 2,083.85	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,083.85	-
Sidhu, Nirmal	\$ 1,538.77	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,538.77	-
Silva, Jessica	\$ 483.75	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 483.75	-
Villa, Erika	\$ 350.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 350.00	-
Villalobos, Stacey	\$ 320.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 320.00	-
Villarreal, Arlene	\$ 1,410.92	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,410.92	-
<b>TOTAL</b>	<b>\$ 17,278.25</b>	<b>\$ 88.34</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 17,366.59</b>	<b>-</b>
<b>POLICE</b>										
Antuna, Eric	\$ 2,343.28	\$ -	4.00	\$ 175.75	12.00	\$ 175.75	-	\$ -	\$ 2,694.77	-
Antuna, Miguel	\$ 1,360.00	\$ -	3.00	\$ 76.50	-	\$ -	-	\$ -	\$ 1,436.50	-
Barbosa, Isaias	\$ 2,392.06	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,392.06	3.75
Barcoma, Wilbert	\$ 3,070.74	\$ -	-	\$ -	12.00	\$ 230.31	-	\$ -	\$ 3,301.05	-
Belding, Jeff	\$ 2,652.54	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 2,652.54	-
Blohm, Joseph	\$ 4,686.47	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 4,686.47	-
Chapman, Tom	\$ 2,437.62	\$ -	-	\$ -	12.00	\$ 182.82	-	\$ -	\$ 2,620.45	-
Davis, Jeff	\$ 3,070.74	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 3,070.74	-
Dunn, Jacob	\$ 1,784.77	\$ -	3.00	\$ 100.39	12.00	\$ 133.86	-	\$ -	\$ 2,019.02	-
Francone, Kevin	\$ 810.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 810.00	-
Gill, Kevin	\$ 825.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 825.00	-
Godfrey, Kyle	\$ 1,241.08	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 1,241.08	-
Golden, John	\$ 3,712.64	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 3,712.64	-
Ledezma, Linda	\$ 222.62	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 222.62	-
Lehman, Dustin	\$ 1,968.00	\$ 166.30	-	\$ -	-	\$ -	11.00	\$ 67.65	\$ 2,201.95	-
Lopez, Matt	\$ 384.00	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ 384.00	-
Madruga, Ron	\$ 2,437.62	\$ -	4.00	\$ 182.82	10.00	\$ 152.35	-	\$ -	\$ 2,772.80	-
Magallon, Peter	\$ 2,494.58	\$ 58.02	-	\$ -	-	\$ -	-	\$ -	\$ 2,552.60	-
Medina-Labetiaux, EJ	\$ 1,968.00	\$ -	-	\$ -	-	\$ -	2.00	\$ 12.30	\$ 1,980.30	-



**CITY OF KERMAN  
OVERTIME SUPPLEMENTAL PAYROLL REPORT**

**PAY PERIOD 8/28/16-9/10/16**

**POLICE DEPARTMENT**

**Overtime Categories - Number of Hours**

Regular Overtime	Court	Shift Coverage	SID	Training	Avoid the 21 Grant	Special Events	Total
4	8.5	4					16.5
(see notes below for overtime description)							

**DOUBLE TIME: (Sunday)**

	Sub Total	0
		16.5

**PUBLIC WORKS DEPARTMENT**

**Overtime Categories - Number of Hours**

Water Service	Sewer Emergencies	Animal Control	Special Events	Other or Call Back	On Call Duties	Total
25	3	2			6	36

**DOUBLE TIME: (Sunday)**

1	5			1	9	16
Sub Total						52.00

**COMMUNITY SERVICES DEPARTMENT**

**Overtime Categories - Number of Hours**

Regular Overtime	After Hour Event	Total
		0
Sub Total		0

**FINANCE / PLANNING DEPARTMENTS**

**Overtime Categories - Number of Hours**

Planning Overtime	Utility Billing	Payroll	Dog Clinic	Year End Audit	Total
5					5
Sub Total					5
<b>Total Hours (All Departments)</b>					<b>73.50</b>

**POLICE DEPARTMENT:**

- Regular Overtime – 4 hrs - MDIC interview and investigation
- Shift Coverage – 4 hrs - shift coverage due to officers being out on vacation, or called in sick, hrs DT due to call out on Sunday
- Special Investigation Division (SID) – Special police action is required such as a search warrant, surveillance, and other crime patterns, etc.
- Court – 8.5 hrs - court appearance
- Grant – hrs AVOID Grant
- Special Events - hrs July 3rd Fireworks show

**PUBLIC WORKS DEPARTMENT:**

- Water Service - 25 hrs OT & 1 hr DT - shut-off and turn-on of service, all water related emergencies
- Sewer Emergencies 3 hrs OT & 5 hrs DT - SCADA problems/Sewer emergencies. (SCADA controls pumps, wells and sewer, lift stations, all sewer and storm drain related issues)
- Animal Control 2 hrs OT - Vicious or dead animals. (not normally used for stray animals)
- Special Events -
- Other - 1 hr DT - Fence down at Soroptomist Park
- Call Back -
- On-Call Duties 6 hrs OT & 9 hrs DT - reading and recording flow meters on wells and sewer plant; feed and clean kennels, verify WWTP running effectively, etc. OT is for two weekends and/or any holidays.

**COMMUNITY SERVICES DEPARTMENT**

- Regular Overtime – On occasion, but very rare due to the amount of part-time employees.
- After Hour Event – Occurs only if a full-time employee would have to stay for clean-up or as a facility attendant.

**FINANCE / PLANNING DEPARTMENTS**

- Planning Regular Overtime - 5 hrs OT - Council reports and meeting
- Utility Billing - Completed on the 1st of each month.
- Payroll - Completed bi-weekly.
- Dog Clinic - Once a year clinic held after business hours.
- Year-End Audit - Completed over a period of time at the end of each fiscal year.

# Accounts Payable

## Checks by Date - Detail by Check Number

User: gmendoza  
 Printed: 9/27/2016 4:53 PM



Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
9465	10005 8693	A-1 NATIONAL FENCE SWR- REPAIR/REPLACE FENCE AT WWTP	09/15/2016	825.00
Total for Check Number 9465:				825.00
9466	10007 12030 12030	ABBEY DOOR SERVICE ADM- REPLACEMENT OF SECURITY DOOR ADM- REPLACEMENT OF SECURITY DOOR	09/15/2016	347.50 347.50
Total for Check Number 9466:				695.00
9467	10814 ACC23610	ACCELA INC #774375 FIN- MONTHLY WEB PAYMENTS AUG 2016	09/15/2016	410.00
Total for Check Number 9467:				410.00
9468	10923 0338190-IN	AMBER CHEMICAL INC WTR- 600 GALLONS - BULK CHLORINE 2.1	09/15/2016	1,363.64
Total for Check Number 9468:				1,363.64
9469	11036 CB13290	APPLEBY & CO BPO- BUILDING PLANS- IMAGING & ELEC	09/15/2016	6,019.54
Total for Check Number 9469:				6,019.54
9470	10042 16976	BACKFLOW INDEPENDENT TESTING WTR- REPAIR/TEST CITY OWNED BACKFL	09/15/2016	74.50
Total for Check Number 9470:				74.50
9471	10545 12052016	WILBERT BARCOMA PD- 3 LUNCHEES 12-5-16/ 12-07-16 FRESNO F	09/15/2016	24.00
Total for Check Number 9471:				24.00
9472	11136 10102016	BEHAVIOR ANALYSIS TRAINING INST PD- TUITION FOR INTERVIEW R. MADRUG	09/15/2016	481.00
Total for Check Number 9472:				481.00
9473	10056 10683	BOGIE'S PUMP SYSTEMS SWR- HEATER- STARTER FOR 20 HP HOMA	09/15/2016	997.57
Total for Check Number 9473:				997.57
9474	11137 09022016	BOUNCE HOUSE BONANZA CTC- BOUNCE HOUSE FOR MOVIES IN THI	09/15/2016	50.00
Total for Check Number 9474:				50.00
9475	10061	BSK ASSOCIATES	09/15/2016	

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	A620569	WTR- REGULATORY TITLE 22 TESTING		1,252.00
	A620581	WTR- WATER TESTING 3RD QTR		72.00
			Total for Check Number 9475:	1,324.00
9476	10617 09022016	C A REDING CO INC BPO- LANIER/MP C3503 COPIER (BUILDING)	09/15/2016	71.55
			Total for Check Number 9476:	71.55
9477	11135 12052016	CALIFORNIA TRAINING INSTITUTE PD- TUITION FOR CLASS SGT. BARCOMA,	09/15/2016	831.00
			Total for Check Number 9477:	831.00
9478	11133 09072016	MARLENA COLEMAN CTC- REFUND PETER PAN REGISTRATION	09/15/2016	60.00
			Total for Check Number 9478:	60.00
9479	10108 129598 129847	COOKS COMMUNICATIONS CORP PD REP- SPOT LIGHT KIT, GUN LOCK REL. VE- INSTALL GUNLOCK & BRACKET #145	09/15/2016	133.98 180.00
			Total for Check Number 9479:	313.98
9480	10118 43590605	DAPPER TIRE PD REP- STOCK TIRES FOR PD VEHICLES	09/15/2016	710.30
			Total for Check Number 9480:	710.30
9481	10973 12052016	JEFF DAVIS PD- 3 LUNCHES 12-5-16/12-07-16 FRESNO P	09/15/2016	24.00
			Total for Check Number 9481:	24.00
9482	10128 186390	DEPARTMENT OF JUSTICE PD- LIVE SCAN PRINTS 11 DOJ, 2 FBI	09/15/2016	386.00
			Total for Check Number 9482:	386.00
9483	11130 10441766	DEWEY PEST CONTROL CS- PEST CONTROL - SCOUT HUT KERCKH	09/15/2016	180.00
			Total for Check Number 9483:	180.00
9484	10654 471373	DIVINE DESSERTS CC- SEPT COUNCIL MEETING	09/15/2016	30.00
			Total for Check Number 9484:	30.00
9485	10140 290632 290632	E & M ELECTRIC & MACHINERY INC WTR- WONDERWARE SOFTWARE RENEW/ SWR- WONDERWARE SOFTWARE RENEW/	09/15/2016	1,559.30 1,559.29
			Total for Check Number 9485:	3,118.59
9486	10141 1282904	EAST BAY TIRE CO VE EQUIP- TIRE FOR #1495- FORKLIFT TR/	09/15/2016	124.43
			Total for Check Number 9486:	124.43
9487	10144	ELBERT DISTRIBUTING INC	09/15/2016	

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	5907841	PD REP- VEH AND PD VARIOUS SUPPLIES		337.73
	5907841	VE REP- VEH AND PD VARIOUS SUPPLIES		337.73
			Total for Check Number 9487:	675.46
9488	11138 0053141	FERGUSON ENTERPRISES INC SWR- GAS MONITOR (FOR CONFINED SPA	09/15/2016	831.82
			Total for Check Number 9488:	831.82
9489	10159 09012016	FRESNO COUNCIL OF GOVERNMENT: ADM- MEMBER DUES 2016-2017	09/15/2016	584.00
			Total for Check Number 9489:	584.00
9490	10162 S013957 S013957 S013957	FRESNO COUNTY TREASURER PD- DISPATCHING SERVICE SEPT 2016 PD- ADJ FOR JULY BILLING PD-RMS/JMS/CAD ACCESS FEES AUG	09/15/2016	17,490.61 63.31 167.60
			Total for Check Number 9490:	17,721.52
9491	10947 9899-3 TVL	GILMORE MAGNESS LEIFER ADM- POLICE DEPT LEGAL SERVICES	09/15/2016	1,875.20
			Total for Check Number 9491:	1,875.20
9492	10757 BP14-0309 BP14-0310 BP15-0022	GJ GARDNER HOMES BP REFUND- TRACT 5478 LOT 10 15696 BO BP REFUND- TRACT 5478 LOT 9 15700 BOT BP REFUND- TRACT 5478 LOT 6 15718	09/15/2016	567.00 610.00 735.50
			Total for Check Number 9492:	1,912.50
9493	BP-GJ G	GJ GARDNER HOMES BP Refund TRACT 5478 LOT 8 15708 BOTELI BP Refund- TRACT 5478 LOT 3 15709 BP Refund TRACT 5478 LOT 4 15717 BOTELI BP Refund- TRACT 5478 LOT 5 15726 BOTEL BP Refund TRACT 5478 LOT 2 15697 BP Refund- TRACT 5478 LOT 1 15691 BOTEL	09/15/2016	547.00 671.50 740.00 607.50 735.00 845.25
			Total for Check Number 9493:	4,146.25
9494	11125 12052016	JOHN GOLDEN PD- 3 LUNCHES 12-5-16/12-7-16 FRESNO PC	09/15/2016	24.00
			Total for Check Number 9494:	24.00
9495	10191 CVW-25220	H & J CHEVROLET INC VE REP- FRONT BRAKE PAD KIT #1405	09/15/2016	65.16
			Total for Check Number 9495:	65.16
9496	10194 F926383	HD SUPPLY WATERWORKS LTD WTR- VALVE, COUPLINGS, 3/4 BALL METE	09/15/2016	1,168.94
			Total for Check Number 9496:	1,168.94
9497	10205 S100178701 S100179704	INDEPENDENT STATIONERS CTC- FOAM BOARD - PARADE TRANSIT CS- GLUE, XACTO KNIFE- PARADE TRANS	09/15/2016	26.34 10.71

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
			Total for Check Number 9497:	37.05
9498	BP-JOSE	JOSEPH CROWN CONSTRUCTION	09/15/2016	
		BP Refund TRACT 5478 LOT 40 15620 BOTEL		719.50
		BP Refund- TRACT 5478 LOT 32 15688 GRAC		612.25
		BP Refund TRACT 5478 LOT 97 15651 GRAG		719.50
		BP Refund- TRACT 5478 LOT 36 15658 GRAC		550.25
		BP Refund TRACT 5478 LOT 92 15689 GRAG		550.25
		BP Refund TRACT 5478 LOT 98 15635 GRAG		612.25
		BP Refund TRACT 5478 LOT 93 15683 BOTEL		550.25
		BP Refund- TRACT 5478 LOT 37 15648 GRAC		555.25
		BP Refund- TRACT 5478 LOT 34 15678 GRAC		487.00
			Total for Check Number 9498:	5,356.50
9499	10932 09012016	KARL C SCHOETTLER BPO- CONTRACT PLANNING SERVICES FC	09/15/2016	607.50
			Total for Check Number 9499:	607.50
9500	10232 060315-062916 070316-081916	KERMAN CAR WASH VE- 239 CAR WASHES AT \$6.00 EACH VE- 36 CAR WASHES AT \$6.00 EACH	09/15/2016	1,434.00 210.00
			Total for Check Number 9500:	1,644.00
9501	10234 9760	KERMAN FLORAL & GIFTS CC- NIJER- CONDELENCES	09/15/2016	84.42
			Total for Check Number 9501:	84.42
9502	10239 41759 41760	KERWEST INC CC- PH CDBG ACTIVITIES STRT- BIDS CA AVE SIDEWALK PROJECT	09/15/2016	135.00 531.00
			Total for Check Number 9502:	666.00
9503	10252 1200860	LITHIA FORD OF FRESNO PD REP- INTAKE MANIFOLD #1455	09/15/2016	347.44
			Total for Check Number 9503:	347.44
9504	10872 10102016	RON MADRUGA PD- 3 LUNCHES R. MADRUGA 10-14, 2016 P	09/15/2016	24.00
			Total for Check Number 9504:	24.00
9505	10261 08312016	MID VALLEY DISPOSAL, INC SWA- AUGUST 2016 SW CHARGES CITY PC	09/15/2016	72,096.98
			Total for Check Number 9505:	72,096.98
9506	10265 08312016	MONTOY LAW CORPORATION ADM- AUGUST LEGAL SERVICES	09/15/2016	3,081.50
			Total for Check Number 9506:	3,081.50
9507	10271 0000042677	MUNISERVICES LLC ADM- SUTA SERV TAX QTR 3/31/2016	09/15/2016	3,047.61
			Total for Check Number 9507:	3,047.61

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
9508	10286	O'REILLY AUTOMOTIVE, INC	09/15/2016	
	08112016	VE REP- SUPPLIES 2 INV \$50		75.72
	290936	PD REP- DISC PADS #1469		82.82
	291225	PD REP- ALTERNATOR #1396		185.44
	291231	PD REP 50%- POLISH SANDER		43.29
	291231	VE REP 50%- POLISH SANDER		43.28
	291607	VE REP- RETURN		-14.16
	291897	VE REP- RETURN		-18.00
	292105	VEVE REP- SPEDOMETER CLUSTER #1373		1,080.30
	292106	PD REP 50%- SUPPLIES 1 INV <\$50		5.73
	292106	VE REP 50%- SUPPLIES 1 INV <\$50		5.72
	293381	VE MAINT- SUPPLIES 1 INV <\$50		22.61
	294088	PD REP- SUPPLIES 1 INV <\$50		13.25
Total for Check Number 9508:				1,526.00
9509	10282	OFFICE DEPOT	09/15/2016	
	859977208001	FIN- OFFICE SUPPLIES		5.65
	859977208001	FIN- OFFICE SUPPLIES		5.65
	859977332001	FIN- OFFICE SUPPLIES		59.65
	859977332001	FIN- OFFICE SUPPLIES		59.64
Total for Check Number 9509:				130.59
9510	10285	ONTRAC	09/15/2016	
	8489837	BPO- PLAN CHECK OVERNIGHT DELIVER'		94.08
	8494397	BPO- PLAN CHECK OVERNIGHT DELIVER'		68.07
Total for Check Number 9510:				162.15
9511	10289	P.G.& E.	09/15/2016	
	072816-082816	WTR/SWR/SD		35,543.52
	072816-082816	WTR/SWR/SD		142.56
	072816-082816	WTR/SWR/SD		19.71
	072816-082816	WTR/SWR/SD		49.87
	2881141119-9	CS- TRANSIT BUS FUEL - AUG		236.65
	3920400666-0	STRT- MONTHLY SERVICE 072916- 082916		4,289.60
	4055166878-9	LLD- INSTALLMENT LOAN LED		1,207.83
	4055166878-9	LLD- MONTHLY SERVICE 07282016-082816		1,507.47
	4647279811-8	PD- AUG 2016 PG&E BILL 08-01-16 TO 08-30		2,195.21
	6825025396-7	ADM- MONTHLY UTILITIES- 6825025396-7		1,485.43
Total for Check Number 9511:				46,677.85
9512	11131	PC LIQUIDATIONS	09/15/2016	
	191770	CS- REPLACEMENT PHONE- JEANNA		86.84
Total for Check Number 9512:				86.84
9513	10304	PITNEY BOWES GLOBAL FIN SERV LI	09/15/2016	
	3100436358	VAR- QTR RENT POSTAGE/FOLDER MACH		462.57
	3100436358	VAR- QTR RENT POSTAGE/FOLDER MACH		491.48
	3100436358	VAR- QTR RENT POSTAGE/FOLDER MACH		274.65
	3100436358	VAR- QTR RENT POSTAGE/FOLDER MACH		216.82
Total for Check Number 9513:				1,445.52
9514	10307	POSTAL ANNEX	09/15/2016	
	46754	WTR- RETURN VFD TO E & M		213.20
Total for Check Number 9514:				213.20

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
9515	10309 285087	PROFORCE LAW ENFORCEMENT PD- 2 GLOCK HAND GUNS /LIGHTS	09/15/2016	1,090.95
Total for Check Number 9515:				1,090.95
9516	10316 6031 6032 6167	R G EQUIPMENT OF FRESNO INC VE EQUIP- BELT 72" MOWER, STOCK BLAI VE EQUIP- BELT 72" MOWER, SPINDLE, HE VE EQUIP- BELTS, KIT Z STAND	09/15/2016	307.99 588.87 543.01
Total for Check Number 9516:				1,439.87
9517	10867 24033	REFRIGERATION SPECIALTIES CTC- REPAIR FRIDGE COMPRESSOR CTC	09/15/2016	988.32
Total for Check Number 9517:				988.32
9518	10319 08182016 08192016 08312016 1317 1422	RENO'S HARDWARE BLDGS- SUPPLIES 3 INV <\$50 STRTC- SUPPLIES 2 INV <\$50 PARKS- SUPPLIES 2 INV <\$50 SWR- SUPPLIES 1 INV <\$50 LLD- SUPPLIES 1 INV <\$50	09/15/2016	34.79 18.87 42.68 18.39 43.13
Total for Check Number 9518:				157.86
9519	10951 7330	REYES CARPET CLEANING & JANITO CTC- CTC KITCHEN FLOOR CLEANING	09/15/2016	350.00
Total for Check Number 9519:				350.00
9520	11006 09012016 09022016	RIGHT NOW PHLEBOTOMY PD- BLOOD DRAW CASE 16-2902 PD- BLOOD DRAW CASE 16-2909	09/15/2016	125.00 125.00
Total for Check Number 9520:				250.00
9521	11132 09082016	DANIELLE RODRIGUEZ CTC- REFUND PETER PAN REGISTRATION	09/15/2016	30.00
Total for Check Number 9521:				30.00
9522	10329 C251406/C3947 C251406/C3947 C251410 C251446	SAN JOAQUIN VALLEY AIR POLL SWR- PERMIT C3947-2-0 GENERATOR WW SWR- PERMIT C3947-3-0 GENERATOR WW WTR- PERMIT #C4369 1-0 GENERATOR WE WTR- PERMIT #C8058 1-0 15610 W C ST WE	09/15/2016	129.00 525.00 264.00 264.00
Total for Check Number 9522:				1,182.00
9523	10332 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761 10400761	SEBASTIAN VAR- MONTHLY PHONE SERVICE VAR- MONTHLY PHONE SERVICE 8-21-16 9 VAR- MONTHLY PHONE SERVICE 8-21-16 9	09/15/2016	577.03 26.37 219.74 2.20 7.91 202.16 307.64 65.92 83.50 219.74 329.62

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		50.54
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		219.74
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		104.00
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		74.71
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		140.65
	10400761	VAR- MONTHLY PHONE SERVICE 8-21-16 9		17.58
	10404286	VAR- MONTHLY BURGLAR ALARM SERVI		53.63
	10404287	VAR- MONTHLY BURGLAR ALARM SERVI		53.63
			Total for Check Number 9523:	2,756.31
9524	10337	SLUMBERGER LUMBER	09/15/2016	
	08032016	WTR- SUPPLIES 4 INV <\$50		69.32
	08092016	SWR- SUPPLIES 3 INV <\$50		39.08
	08102016	STRTC- SUPPLIES 3 INV <\$50		68.86
	B289257	MEDIANS- SPRINKLER SUPPLIES		76.77
	B289375	WTR 50%- SUPPLIES 1 INV <\$50		7.57
	B289375	SWR 50%- SUPPLIES 1 INV <\$50		7.57
	B290841	MEDIANS- SUPPLIES 1 INV <\$50		23.57
	B291175	AAC- HOSE FOR KENNEL		41.11
	C183307	WTR- CONCRETE 14 YDS		58.44
	D107851	VE SUPPL- SUPPLIES-1 INV <\$50		4.52
	D107878	WTR- SUPPLIES 1 INV <\$50		1.49
			Total for Check Number 9524:	398.30
9525	10338	SMITH AUTO	09/15/2016	
	04CR001701	VE REP- DIESEL WTR PUMP- RETURN		-242.49
	04CR001738	VE REP- RETURN WATER PUMP		-130.89
	04CR001746	VE REP- RETURN		-194.00
	04IN011836	SWR- MAGNETIC POOL		10.55
	04IN011861	VE REP- WATER PUMP (WAS RETURNED)		130.89
	04IN011877	PD REP- RINGS, GAGE, SPLICE, STR FLUID		70.65
	04IN011877	VE REP- RINGS, GAGE, SPLICE, STR FLUID		70.65
	04IN011983	VE REP- WATER PUMP #1459		194.00
	04IN012007	VE REP- SPARK PLUGS #1458		41.17
	04IN012060	PD MAINT- OIL FILTERS- STOCK FOR PD V		51.10
	04IN012304	PD MAINT- BRUSH, NOZZLE, TIRE AND SH		18.72
	04IN012304	VE MAINT- BRUSH, NOZZLE, TIRE AND SH		18.72
	04IN012891	PD MAINT- OIL AND AIR FILTERS		32.45
	04IN013280	VE EQUIP- HOSE CLAMPS		6.49
	04IN013308	VE EQUIP- AIR FILTERS FOR TORO MOWE		12.15
			Total for Check Number 9525:	90.16
9526	10561	SOUTHERN COMPUTER WAREHOUSE	09/15/2016	
	IN-000367231	PD- HP COMPUTERS, 2 MONITORS, 2 ADA		1,443.91
			Total for Check Number 9526:	1,443.91
9527	10754	SUPPLYWORKS	09/15/2016	
	377478664	CTC- JANITORIAL SUPPLIES		645.67
	377771001	CTC- JANITORIAL SUPPLIES		20.92
			Total for Check Number 9527:	666.59
9528	10906	TAMARACK PEST CONTROL	09/15/2016	
	0314447	CTC- PEST CONTROL SPRAY CTC SEPT 201		100.00
			Total for Check Number 9528:	100.00

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
9529	10357 12469	TAYLOR MADE IRRIGATION MEDIANS- WIRE STAPLES	09/15/2016	64.94
Total for Check Number 9529:				64.94
9530	11134 09082016	ALFONSO TINOCO SWR- MEAL ALLOWANCE FOR A.TINOCO 1	09/15/2016	133.00
Total for Check Number 9530:				133.00
9531	10374 136026	TRITECH FORENSICS PD- BARRIER TAPE (20)	09/15/2016	254.29
Total for Check Number 9531:				254.29
9532	10644 311869119	US BANK EQUIPMENT FINANCE PD- AUG COPIER LANIER MPC4503 CORRE	09/15/2016	149.36
Total for Check Number 9532:				149.36
9533	10399 214682	VETERINARY MEDICAL CENTER AAC- 1 EUTHANASIA OF ANIMALS	09/15/2016	24.70
Total for Check Number 9533:				24.70
9534	10400 3808951-M	VIVO TECHNOLOGY PD- 1 DUAL LCD MONITOR DESK STAND	09/15/2016	42.28
Total for Check Number 9534:				42.28
9535	10717 1137	VORTAL INC ADM- MONTHLY WEB HOSTING & MTG. S	09/15/2016	50.00
Total for Check Number 9535:				50.00
9536	10405 10012016 10012016	WELLS FARGO BANK N.A. PFA- DEBT SERVICE - INTEREST PMT PFA- DEBT SERVICE - PRINCIPAL PMT KER	09/15/2016	74,427.08 95,000.00
Total for Check Number 9536:				169,427.08
9537	10406 52820 52820	WEST HILLS OIL INC VE- FUEL- AUG 16-31 1529.781 GALLONS VE- B. ARREDONDO TRNSPT84.455 GAL	09/15/2016	4,265.00 223.19
Total for Check Number 9537:				4,488.19
9538	10412 086059543 086059543 086059544	XEROX CORPORATION WTR- COPIER LEASE AGREEMENT- AUG 1 SWR- COPIER LEASE AGREEMENT- AUG 1 CS- REC DEPT COPIER- AUG	09/15/2016	83.31 83.31 314.96
Total for Check Number 9538:				481.58
9539	10413 35953 35954 35955 35956 35957 35958 35959	YAMABE & HORN ENGINEERING INC GOLDENROD RAILROAD CROSSING TRACT NO. 5478 WESTERN INS LAWSUIT GENERAL ENGINEERING WELL NO. 18 PRODUTION WELL DOUBLE L MHP WATER SERVICE PROJECT MEDIAN TRANSITION PLAN VINELAND AVE WIDENING	09/15/2016	240.00 367.50 1,207.50 240.00 736.27 720.00 6,026.25

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
35960		UPRR PEDESTRIAN AND BICYCLE TRAIL		537.50
35961		PROP 84 WATER METER PROJECT		1,080.00
35962		WATER METER INSTALLATION PROJECT- J		360.00
35963		CALIFORNIA & MAY RECONSTRUCTION -		900.00
35964		PAVEMENT MGMT SYSTEM		1,500.00
35965		CDBG SOROPTIMIST PARK RESTROOM		410.00
35966		CHROMIUM 6 MCL SUPPORT		4,459.05
35967		SR2S PEDESTRIAN SAFETY IMPROVEMEN		1,135.00
35968		CMAQ & LTF		5,923.75
35969		SPR 15-04 STARBUCKS		155.00
35970		KERMAN FY 15/16 GIS MAPPING		90.00
35971		KERMAN 2016 CIP- STREETS		540.00
35972		2016 CONCRETE PROJECT		616.25
35973		LA FE WATER SERVICE AGREEMENTS		540.00
35974		2016 LLMD ASSESSMENT		395.00
35975		PARADE TRAFFIC CONTROL PLANS		2,440.00
35976		FY 17/18 CDBG APPLICATION		1,627.50
Total for Check Number 9539:				32,246.57
Report Total (75 checks):				402,660.36



# City of Kerman

*"Where Community Comes First"*

MAYOR                      MAYOR PRO-TEM  
 Stephen B. Hill        Gary Yep

COUNCIL MEMBER    COUNCIL MEMBER    COUNCIL MEMBER  
 Rhonda Armstrong    Kevin Nehring        Bill Nijjer

DEPARTMENT: PUBLIC WORKS  
 STAFF REPORT  
 CITY COUNCIL MEETING  
 COUNCIL MEETING DATE: OCTOBER 5, 2016

TO:                      Mayor and City Council  
 FROM:                Ken Moore, Public Works Director  
 SUBJECT:            Resolution Approving Donation of Non-Functional GEM Cars to KUSD

## RECOMMENDATION

Adopt resolution approving the donation of two (2) 2001 non-functional electric GEM cars to Kerman Unified School District.

## EXECUTIVE SUMMARY

In 2001 the City of Kerman received two electric cars for use within the City for various purposes. These cars are no longer in operating condition and it would take more money to repair them than they are worth. Replacing the batteries would cost approximately \$800 and they would not be used that much. We have two electric pickups that we use for this type of application.

Kerman Unified School District has expressed interest in acquiring the GEM Cars and making the necessary repairs to put them in working condition. The City of Kerman Purchasing Policy allows the City to donate surplus property under the following conditions described in "Methods of Disposition" Section D. Disposal: Item 5. Donation"

5.            Donation: The Purchasing Officer with the approval of the City Council may donate surplus property to public bodies, charitable, civic or non-profit organizations and may include property which has no commercial value or for which the estimated cost of continued care, handling, maintenance or storage would exceed the estimated proceeds of sale.

## OUTSTANDING ISSUES

None

## FISCAL IMPACT

None

## Attachments:

- A. Resolution
- B. Photo
- C. KUSD Letter

Attachment 'A'

RESOLUTION NO. 16-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN  
APPROVIING THE DONATION OF SURPLUS PROPERTY CONSISTING OF NON-FUNCTIONAL  
GEM CARS TO KERMAN UNIFIED SCHOOL DISTRICT

WHEREAS, the City of Kerman has in storage two (2) 2001 Electric GEM cars which are non-functional and no longer needed for public use; and

WHEREAS, staff recommends that the cars be donated to Kerman Unified School District per the guidelines set forth in the Purchasing Policy Section "Methods of Disposition" Section D. Disposal: Item 5. Donation; and

WHEREAS, a request was made by Kerman Unified School District for the surplus electric GEM Cars for use on their school sites, and

WHEREAS, staff recommends that the cars be donated to the Kerman Unified School District; and

WHEREAS, the donation of the surplus property will benefit Kerman Unified School District; and

WHEREAS, the donation is a public purpose benefitting the City of Kerman by promoting and allowing clean air transportation.

NOW THEREFORE BE IT RESOLVED by the Kerman City Council as follows:

1. The foregoing recitals are incorporated by reference and are deemed findings by the City Council.
2. The City Council approves the donation of two (2) 2001 GEM electric cars to the Kerman Unified School District.

The foregoing resolution was approved by the City Council of the City of Kerman at a regular meeting held on the 5th day of October, 2016, and passed at said meeting by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby approved.

ATTEST:

\_\_\_\_\_  
Stephen Hill  
Mayor

\_\_\_\_\_  
Marci Reyes  
City Clerk

Attachment 'B'



Attachment 'C'

**K**erman Unified School District  
Robert Frausto, District Superintendent  
Mark Ruiz, Assistant Superintendent Personnel  
Kraig L. Magnussen, Assistant Superintendent/Chief Business Official

Board of Trustees  
Daniel Babshoff  
Vicki A. Blair  
Maria S. Cantu  
Efrain Guizar  
Darrell Yates

To: Ken Moore  
City of Kerman  
Public Works Director

From: Kraig Magnussen  
Kerman Unified School District  
Assistant Superintendent, CBO

RE: Request Donation of Electric Cars

This letter is to express interest of Kerman Unified School District to acquire two electric cars through donation from the City of Kerman.

Regards,



Kraig Magnussen

Notice of Nondiscrimination in District Programs and Activities: The Kerman Unified School District prohibits discrimination, harassment, intimidation, and bullying based on actual or perceived ancestry, age, color, disability, gender, gender identity, gender expression, national origin, nationality, race or ethnicity, ethnic group identification, religion, marital or parental status, sex, sexual orientation or association with a person or a group with one or more of these actual or perceived characteristics. (Designated Compliance Officer: Assistant Superintendent Personnel, Address: 151 S. First Street, Kerman, CA 93630, Phone Number: (559) 843-9000)

151 South First Street  
Kerman, California 93630

*Home of the Lions*

Phone (559) 843-9000  
Fax (559) 840-4283



# City of Kerman

*"Where Community Comes First"*

MAYOR  
Stephen B. Hill  
COUNCIL MEMBER  
Rhonda Armstrong  
MAYOR PRO-TEM  
Gary Yep  
COUNCIL MEMBER  
Kevin Nehring  
COUNCIL MEMBER  
Bill Nijjer

DEPARTMENT: PLANNING AND DEVELOPMENT  
STAFF REPORT  
CITY COUNCIL MEETING  
COUNCIL MEETING DATE: OCTOBER 5, 2016

To: Mayor and City Council  
From: Jerry Jones, City Engineer  
Subject: Resolution Accepting Public Street Right-of-Way from Ernest R. Quiroz Trust of 2002 for Public Use

## RECOMMENDATION

Council by motion adopt the resolution accepting the public street right-of-way from the Ernest R. Quiroz Trust of 2002 for public use.

## EXECUTIVE SUMMARY

In 2011 the City reached an agreement with Ernest Quiroz to purchase a public street right-of-way from his property at 382 S. Vineland Avenue. The City required the right-of-way to construct the sidewalk along the Vineland Avenue frontage of his property. The agreement between Mr. Quiroz and the City was executed and the City deposited the agreed upon compensation into an escrow account with Chicago Title Company. Per the conditions of the agreement, the City was granted a right of possession and use fifteen days after the funds were deposited into escrow. As such, the City moved forward with the construction of the sidewalk along the property and all work was completed in 2013. However, in the years following the execution of the agreement, the title company has been unable to close the escrow account and release the funds to Mr. Quiroz due to issues with his mortgage lender.

Unfortunately, Ernest Quiroz has since passed away. Ernest Quiroz left the subject property in a trust with his son, Richard Quiroz, as trustee. Richard Quiroz has resolved the issues with their mortgage lender that has held up the release of the escrowed funds over the past several years and the title company would like to now close escrow and release the funds. In order to do so, a new grant deed is required since the ownership of the property has changed. Richard Quiroz has signed the updated grant deed on behalf of the Ernest R. Quiroz Trust of 2002 and the City must accept the right-of-way for public use in order to record the grant deed and close escrow.

## OUTSTANDING ISSUES

None.

## FISCAL IMPACT

The compensation amount agreed to in the executed agreement was deposited by the City into the escrow account in 2011 and is still held in said account. The funds will be released to Richard Quiroz upon close of escrow.

## PUBLIC HEARING

Not Required.

Attachments:

- A. Resolution w/Exhibit

Attachment 'A'

RESOLUTION NO. 16-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN ACCEPTING PUBLIC STREET  
RIGHT-OF-WAY FROM THE ERNEST R. QUIROZ TRUST OF 2002 FOR PUBLIC USE

WHEREAS, the City requires public street right-of-way along the Vineland Avenue frontage of 382 S. Vineland Avenue for public sidewalk; and

WHEREAS, the City executed an agreement with the Owner of the subject property on September 7, 2011 for the purchase of the required public street right-of-way; and

WHEREAS, escrow was opened; the City was granted a right of possession and use fifteen days after the City funds were deposited into escrow; and, the City moved forward with the construction of the sidewalk along the property and all work was completed in 2013; and

WHEREAS, for reasons beyond City's control, the escrow never closed and the property is now owned by former Owner's son ("new Owner"); and

WHEREAS; the new Owner has signed the grant deed for the public street right-of-way; and

WHEREAS; the City Engineer recommends acceptance of the public street right-of-way for public use.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KERMAN HEREBY resolves as follows:

- Section 1. The foregoing recitals are true and correct and are incorporated by reference.
- Section 2. The City Manager is authorized to sign any documentation required to complete the transaction.
- Section 3. By order of the City Council, the interests in real property conveyed to the City from the Ernest R. Quiroz Trust of 2002, dated April 9, 2002, as shown on the attached Deed of Easement in Exhibit 1 are hereby accepted by the City of Kerman for public use.
- Section 4. The City of Kerman consents to the recordation of the Grant Deed with the Fresno County Recorder's Office.
- Section 5. The City Clerk shall affix a certificate attesting to this resolution to the Grant Deed.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Kerman held on the 5<sup>th</sup> day of October, 2016, and passed at said meeting by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

The foregoing resolution is hereby approved.

ATTEST:

\_\_\_\_\_  
Stephen B. Hill  
Mayor

\_\_\_\_\_  
Marci Reyes  
City Clerk

Exhibit 1

RECORDED AT THE REQUEST OF AND  
WHEN RECORDED RETURN TO:

CITY CLERK  
CITY OF KERMAN  
850 S. MADERA AVENUE  
KERMAN, CA 93630

NO RECORDING FEE GOV. CODE 27383  
SPACE ABOVE THIS LINE FOR RECORDER'S USE

APN: 023-350-036 (PORTION)

**GRANT DEED**

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

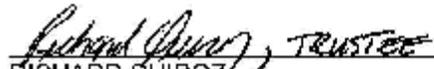
**RICHARD QUIROZ,**  
**As Trustee of the Ernest R. Quiroz Trust of 2002, dated April 9, 2002**

hereby GRANT(S) to the **CITY OF KERMAN**, a California Municipal Corporation, the following described real property in the City of Kerman, County of Fresno, State of California:

See EXHIBITS "A" and "B", which are attached hereto and made a part thereof.

Dated: September 21, 2016

RICHARD QUIROZ,  
As Trustee of the Ernest R. Quiroz Trust of 2002,  
dated April 9, 2002

  
RICHARD QUIROZ, TRUSTEE

**EXHIBIT "A"**

SEPTEMBER 9, 2016

**APN: 023-350-03S (PORTION)**

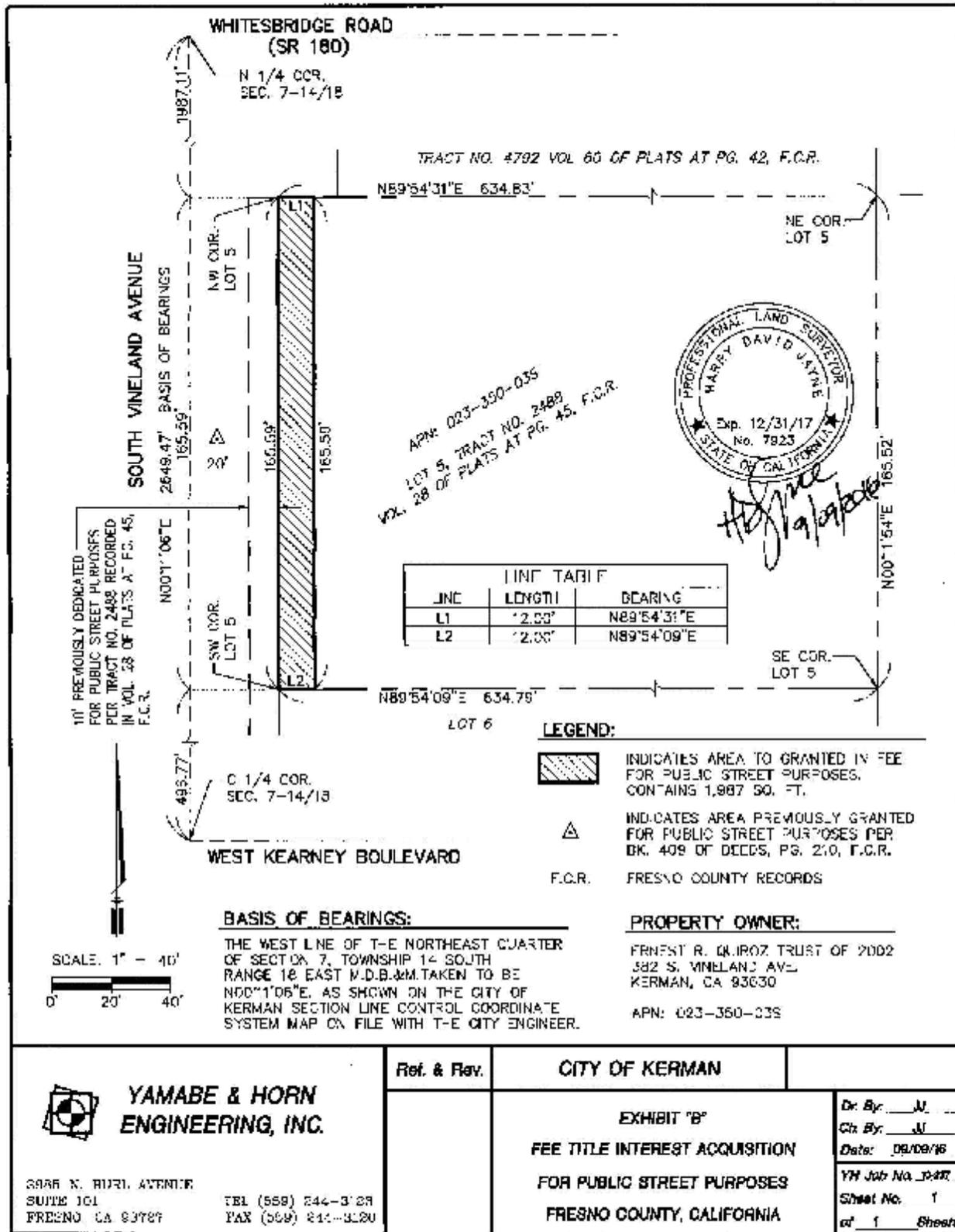
The West 12.00 feet of Lot 5 of the map of Tract No. 2488, Ponte Tract according to the map thereof recorded in Volume 28 of Plats, at Page 45, Fresno County Records.

For the purposes of this description the West line of said Lot 5 is taken to be a line 30.00 feet East of and parallel with the West line of the Northeast Quarter of Section 7, Township 14 South, Range 18 East, Mount Diablo Base and Meridian, according to the official United States Government Township Plat thereof.

Containing an area of 1,987 square feet more or less.



*Handwritten signature and date: H. David Jayne 9/9/2016*



**YAMABE & HORN  
 ENGINEERING, INC.**

3996 N. BURL AVENUE  
 SUITE 101  
 FRESNO CA 93729  
 TEL (559) 244-3129  
 FAX (559) 244-3120

Ref. & Rev.	CITY OF Kerman	Dr. By: <u>   </u>
	EXHIBIT "B"	Ch. By: <u>   </u>
	FEE TITLE INTEREST ACQUISITION	Date: 09/09/16
	FOR PUBLIC STREET PURPOSES	YH Job No. 1447
	FRESNO COUNTY, CALIFORNIA	Sheet No. 1
		of 1 Sheets

F:\2013\0\_237\log\Felicitia\Faxformal Program\20\_237\_F45.dwg

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Fresno

On September 21, 2016 before me, Judith A. Robinson, Notary Public,  
(here insert name and title of the officer)

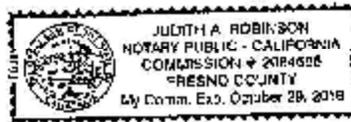
personally appeared Richard Quiroz  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Judith A. Robinson  
Signature

(Seal)





# City of Kerman

*"Where Community Comes First"*

MAYOR Stephen B. Hill	MAYOR PRO-TEM Gary Yep	
COUNCIL MEMBER Rhonda Armstrong	COUNCIL MEMBER Kevin Nehring	COUNCIL MEMBER Bill Nijjer

DEPARTMENT: POLICE DEPARTMENT  
 STAFF REPORT  
 CITY COUNCIL MEETING  
 COUNCIL MEETING DATE: OCTOBER 5, 2016

TO: Mayor and City Council  
 FROM: Chief Joseph Blohm  
 SUBJECT: Resolution Approving Non-Support of Proposition 57

### RECOMMENDATION:

Council by motion adopt resolution approving non-support of Proposition 57.

### EXECUTIVE SUMMARY:

Proposition 57 "The Public Safety and Rehabilitation Act" is certified for the November 2016 ballot. This initiative, if it is approved by the state voters, will allow the early release of inmates serving time in state prison for violent and non-violent offenses through parole grants or accelerated sentence credits. In addition, it changes the juvenile system by disallowing prosecutors to directly charge juveniles who commit murder, rape, or other heinous crimes. Instead, a Judge will decide based on criteria that ensures few, if any, juveniles will be charged as adults. If this proposition passes, it will cause drastic changes to parole eligibility that will occur in the case of serious felonies, felon strike priors, and sex crimes cases. Prop. 57 contradicts and overrides portions of voter enacted initiatives such as "Three Strikes" and the "The Victim's Bill of Rights". If the proposition passes, thousands of current inmates would immediately become eligible for release from state prison.

Specifically the initiative would:

- Offenders who commit multiple crimes against multiple victims will be eligible for release at the same time as offenders who commit a single crime against a single victim.
- Repeat offenders will be eligible for release after the same period of incarceration as first time offenders.
- Offenders whose sentence was enhanced for especially egregious conduct will be eligible for release at the same time as those who did not engage in the egregious conduct.
- California Department of Corrections will have unlimited authority to award credits to all inmates, in excess of the current 15%, 20% and 50% conduct credit limitations.
- Juvenile offenders who commit violent crimes like murder, rape and carjacking cannot be filed on as adults. They must be filed on in juvenile court and can only be found unfit by a judge.

This resolution, which opposes Proposition 57, is similar to the resolution that the Council adopted on October 15, 2014 regarding Proposition 47.

### FISCAL IMPACT:

None

### ATTACHMENTS:

- A. Resolution

ATTACHMENT 'A'  
RESOLUTION NO. 16-\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN OPPOSING PROPOSITION 57

WHEREAS, Over the previous five years, the State of California has seen an unprecedented release of criminals from the state prison system, due to a number of release programs such as Realignment, Proposition 36, Proposition 47, so-called Non-Violent Second Strike Release; and

WHEREAS, Prison inmates are already being given increased opportunity to earn credits for good behavior and educational achievements in excess of those authorized by the California Legislature; and

WHEREAS, Crime in California has shown a dramatic increase from 2014 to 2015; and

WHEREAS, Proposition 57 has multiple ambiguous terms that are not defined by the Initiative, such as just what constitutes a "non-violent felony" or what would constitute "parole consideration", that will lead to extensive appellate litigation; and

WHEREAS, Proposition 57 would violate long-standing California law that the purpose of imprisonment is punishment and that this purpose is best served by "terms proportionate to the seriousness of the offense with provision for uniformity in the sentences of offenders committing the same offense under similar circumstances"; and

WHEREAS, Proposition 57 would conflict with many other initiatives passed by the voters of California, such as, The Victims' Bill of Rights, Marsy's Law, The Gang Violence and Juvenile Crime Prevention Act, The Three Strikes Law, The Use a Gun and You're Done Law, as well as the recent Californians Against Sexual Exploitation Act.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Kerman does hereby proclaim opposition to Proposition 57, the so-called Public Safety & Rehabilitation Act of 2016 and calls on the voters of Kerman to vote no on this ill-conceived attempt to accelerate the release of state prison inmates.

The forgoing resolution was introduced and adopted at a regular meeting of the City Council of the City of Kerman held on the 5<sup>th</sup> day of October 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

The foregoing resolution is hereby approved.

ATTEST:

\_\_\_\_\_  
Marci Reyes  
City Clerk

\_\_\_\_\_  
Stephen B. Hill  
Mayor



MAYOR  
Stephen B. Hill

MAYOR PRO-TEM  
Gary Yep

COUNCIL MEMBER  
Rhonda Armstrong

COUNCIL MEMBER  
Kevin Nehring

COUNCIL MEMBER  
Bill Nijjer

DEPARTMENT: FINANCE  
STAFF REPORT  
CITY COUNCIL MEETING  
COUNCIL MEETING DATE: OCTOBER 5, 2016

To: Mayor and City Council  
From: Toni Jones, Finance Director  
Subject: Presentation of the City of Kerman 2015/2016 Auditor's Report and Financial Statements

## RECOMMENDATION

Council by motion approve the City of Kerman 2015/2016 Auditor's Report and Financial Statements as presented.

## EXECUTIVE SUMMARY

The City's independent auditor, Bryant L. Jolley, CPA, has completed and submitted the audited financial statements for the year ended June 30, 2016. The purpose of the audit is to determine that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States. A copy of the audited financial statements was enclosed with your agenda. Ryan P. Jolley will present the audited financial statements to the City Council.

## OUTSTANDING ISSUES

None

## DISCUSSION

Staff is pleased to report that the audited financial statements do not contain any negative notes or audit findings raised by the auditor. Below are some highlights from the Management's Discussion and Analysis prepared by staff beginning on page 3 through page 11 of the audited financial statements.

### Government Wide Statement of Net Position (Condensed)

Government-wide the City's net position increased by \$1,877,623 over fiscal year ending June 30, 2015.

### Government Wide Statement of Revenues, Expenses and Changes in Net Position

	2016	2015
Operating Revenues	\$ 12,301,737	\$ 11,057,686
Operating Expenses	10,424,114	10,267,990
Increase in Net Position	1,877,623	789,696
Prior Period Adjustment	-	(2,643,413)
Net Position, Beginning of Year	35,190,184	37,043,901
Net Position, End of Year	37,067,807	35,190,184

Government-wide operating revenues for 2016 increased by \$1,244,051 and operating expenses increased by \$156,124 for a change in Net Position of \$1,877,623 for Fiscal Year ending 2016 (page 7).

Government-wide cash and investments is \$9,647,910 which is an increase of \$515,531 compared to June 30, 2015 (page 31).

The General Fund has a Reserve Balance of \$3,669,322 as of June 30, 2016. This is an increase of \$470,421 from the prior year (page 16).

The City Council adopted a reserve policy by resolution September 17, 2014 for the purpose of establishing a target and minimum level of unreserved fund balance in the General Fund to protect against unanticipated circumstances and events resulting in revenue shortfalls or unexpected expenditures.

Reserve Category	Purpose	Minimum Reserve
Emergency Reserve	Cover an emergency, unanticipated expense or cash flow needs	25% of operating expenditures or \$1,178,383
Revenue Stability Reserve	Cover any unanticipated drop in sales or property tax revenues	15% of operating expenditures or \$707,030
Major Asset Repair and Replacement Reserve	Cover any repairs and replacement of major facilities and equipment	5% for repairs and 10% for replacement of operating expenditures or \$707,030
Undesignated Reserve	Cover any discretionary expenditures approved by the Council	Any amount remaining after meeting minimum reserves or \$1,076,881

The Change in Fund Net Position for the Proprietary Funds increased a net of \$155,689 with Water at \$2,980, Sewer \$55,275, Disposal \$22,330 and Storm Drain \$75,104 (page 19).

**FISCAL IMPACT**

The presentation of the City of Kerman 2015/2016 Audited Financial Statements does not have a financial impact on the City, but it does report positive results from operations in fiscal year 2015/2016, with an increase of \$470,421 to General Fund Reserves.

The budget for fiscal year 2015/16 projected \$139,642 of expenses in excess of revenues. General Fund revenues as of June 30, 2016 were higher than anticipated. We had an increase in Sales Tax due to the one time “unwinding of the triple flip”, an increase in Building Permits due to the development of the Pacific Mountain Tract, one-time reimbursements from the State of California for SB 90, State Mandated Cost Reimbursements, along with more than expected interest earnings on our investments. It is important to note that these increases are one time increases to the General Fund revenues and the City cannot rely on these revenue sources annually.

**PUBLIC HEARING**

None Required

**Attachments:**

- A. Auditor's Report and Financial Statements attached and under separate cover.

**CITY OF KERMAN**

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

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 – 11
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	12
Statement of Activities	13
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	15
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	16
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Assets and Liabilities - Agency Funds	21
Statement of Fiduciary Net Position – Private Purpose Trust Fund	22
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	23
Notes to Basic Financial Statements	24 - 49

## **TABLE OF CONTENTS (Continued)**

---

	<u>Page</u>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	50
Budgetary Comparison Schedule – Local Transportation Fund	51
Schedule of the City’s Proportionate Share of Net Pension Liability	52
Schedule of Contributions	53
<b>Supplemental Only Information</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	54 – 55
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	56 – 57
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	58 – 59

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Kerman, 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 Kerman, 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 Kerman, 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.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 3 - 11, pages 50 - 51, and pages 52 - 53 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.

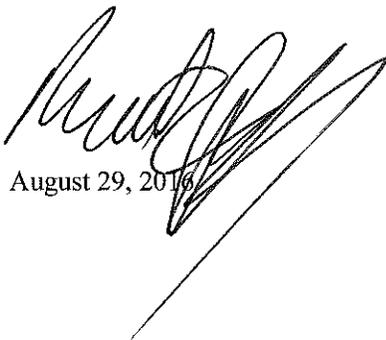
## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kerman's basic financial statements. The combining and individual nonmajor 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 August 29, 2016, on our consideration of the City of Kerman'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 Kerman's internal control over financial reporting and compliance.



August 29, 2016

CITY OF KERMAN  
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2016

---

The management of the City of Kerman is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of the City of Kerman as of and for the year ended June 30, 2016. The discussion should be read in conjunction with the financial statements and accompanying notes which follow this section.

### **Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's financial statements which include all activities of the City of Kerman including the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. The statements are accompanied by footnotes to clarify unique accounting policies and other financial information and required supplementary information. The assets, liabilities, revenues and expenses of the City are reported on an accrual basis of accounting.

Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the City can be classified into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a governments near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-side financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

The City of Kerman maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the General Fund and Local Transportation Funds, which are considered to be major funds. Data from the other fourteen funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 54 - 57.

The City adopts an annual appropriated budget for the City's funds. A budgetary comparison statement has been provided for the General Fund and the Local Transportation Funds to demonstrate compliance to this budget and can be found on pages 50 - 51.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

**Proprietary funds.** The City has six different types of proprietary funds, four enterprise funds and two internal service funds. Enterprise funds are used to report the same functions represented as business-type activities in the government-side financial statements. The City utilizes enterprise funds to account for those activities that are supported primarily by user charges to external users, and include water, sewer, disposal and storm drain. Internal service funds are used to account for activities that are supported by user charges primarily to the City's other programs and activities and include vehicle and equipment and technology services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Disposal and Storm Drain funds, all of which are major funds. All of the internal service funds are combined into a single, aggregated presentation in the fund financial statements.

The basic proprietary fund financial statements can be found on pages 18 – 20 of this report.

Fiduciary funds are used to account for resources held for the benefits of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations.

The basic fiduciary fund financial statements can be found on pages 21 – 23 of this report.

The **Statement of Net Position** presents information on all of the City's assets and liabilities, with the difference between the two representing net position (equity). Assets and liabilities are classified as current or noncurrent. Changes from one year to the next in total net position, as presented on the Statement of Net Position, are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Position.

The **Statement of Revenues, Expenses and Changes in Net Position** is the City's income statement. Revenues earned and expenses incurred during the year are classified as either "operating" or "non-operating." All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the City's operations and significant accounting policies and provide clarification regarding unique financial information. The notes to the financial statements can be found on pages 24 – 49 of this report.

Following the basic financial statements and footnotes is the **required supplementary information**, which provides further detail.

## Financial Highlights

Government-wide financial highlights for the fiscal year ended June 30, 2016:

### I. Statement of Net Position

#### Condensed Statement of Net Position

2016		2015		
\$	50,036,081	\$	48,988,387	Government-wide total assets at fiscal year ending June 30, 2016 increased by \$1,047,694 which is 2.14% higher than fiscal year ending June 30, 2015.
\$	12,544,126	\$	13,308,547	Government-wide total liabilities at fiscal year ending June 30, 2016 decreased by \$764,421 which is 5.74% less than fiscal year ending June 30, 2015.
\$	(424,148)	\$	(489,656)	Net of Deferred Outflows/Inflows of Resources - Result of GASB 68 requirement to record City's unfunded pension liability. The net decreased by \$65,508 which is 13.38% less than fiscal year ending June 30, 2015.
\$	37,067,807	\$	35,190,184	The Net Position ((Assets less Liabilities) less ( Net of Deferred Outflows/Inflows)) at fiscal year ending June 30, 2016 increased by \$1,877,623 which is 5.34% more than fiscal year ending June 30, 2015. The net position includes (\$424,148) of deferred outflows/inflows of resources. Of the total amount \$3,997,278 is unrestricted which is available to meet the City's ongoing commitments to citizens and creditors.

#### Statement of Net Position (Detail)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	5,668,573	5,334,004	4,849,060	4,388,432	10,517,633	9,722,436
Capital assets	23,268,381	22,359,050	16,250,067	16,906,901	39,518,448	39,265,951
Total Assets	28,936,954	27,693,054	21,099,127	21,295,333	50,036,081	48,988,387
<b>Deferred Outflows of Resources:</b>						
Total deferred outflows of resources	351,486	262,707	98,004	63,757	449,490	326,464
<b>Liabilities:</b>						
Current and other liabilities	325,443	255,665	332,224	327,899	657,667	583,564
Long-term liabilities	4,948,992	5,262,239	6,937,467	7,462,744	11,886,459	12,724,983
Total Liabilities	5,274,435	5,517,904	7,269,691	7,790,643	12,544,126	13,308,547
<b>Deferred Inflows of Resources:</b>						
Total deferred inflows of resources	(604,132)	(585,840)	(269,506)	(230,280)	(873,638)	(816,120)
<b>Net Assets:</b>						
Investment in capital assets, net of related debt	19,913,494	18,905,935	9,963,722	10,171,880	29,877,216	29,077,815
Restricted	1,786,365	1,950,538	1,406,948	1,172,341	3,193,313	3,122,879
Unrestricted	1,710,014	995,544	2,287,264	1,993,946	3,997,278	2,989,490
Total Net Position	23,409,873	21,852,017	13,657,934	13,338,167	37,067,807	35,190,184

Of the total net position, \$29,877,216 or 81% is the City's investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

GASB Statement No. 68 was issued to improve accounting and financial reporting by state and local governments for pensions. The Statement of Net Position reflects a separate section for deferred outflows of resources (asset) and a deferred inflow of resources (liability). The net effect is (\$424,148). The City's total net pension liability is \$1,819,119.

Almost all the City's long-term liabilities relate to the acquisition of capital assets. Some of those assets include the City's water and sewer facilities. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position amounts to \$3,193,313 or 8.61% of the total. Restricted net position are those resources that are subject to external restriction imposed by the State on how they may be used.

Unrestricted net position are those resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position are \$3,997,278 or 10.8% of the total net position. While the business-type activities account for \$2,287,264 or 57.2% of the total, the City can only use this amount to finance the continuing operations of the water, sewer, disposal and storm drain operations.

**Governmental Activities.** Governmental activities account for \$23,409,873 or 63.2% of the total Government-wide net position. This is an increase of \$1,557,856 or 7.13% over the June 30, 2015 governmental net position ending balance.

## II. Statement of Activities

### Statement of Revenues, Expenses and Change in Net Position (Condensed)

	<u>2016</u>		<u>2015</u>
Operating Revenues	\$ 12,301,737	\$	11,057,686
Operating Expenses	<u>10,424,114</u>		<u>10,267,990</u>
Increase in Net Position	1,877,623		789,696
Prior Period Adjustment	-		(2,643,413)
Net Position, Beginning of Year	<u>35,190,184</u>		<u>37,043,901</u>
Net Position, End of Year	<u>37,067,807</u>		<u>35,190,184</u>

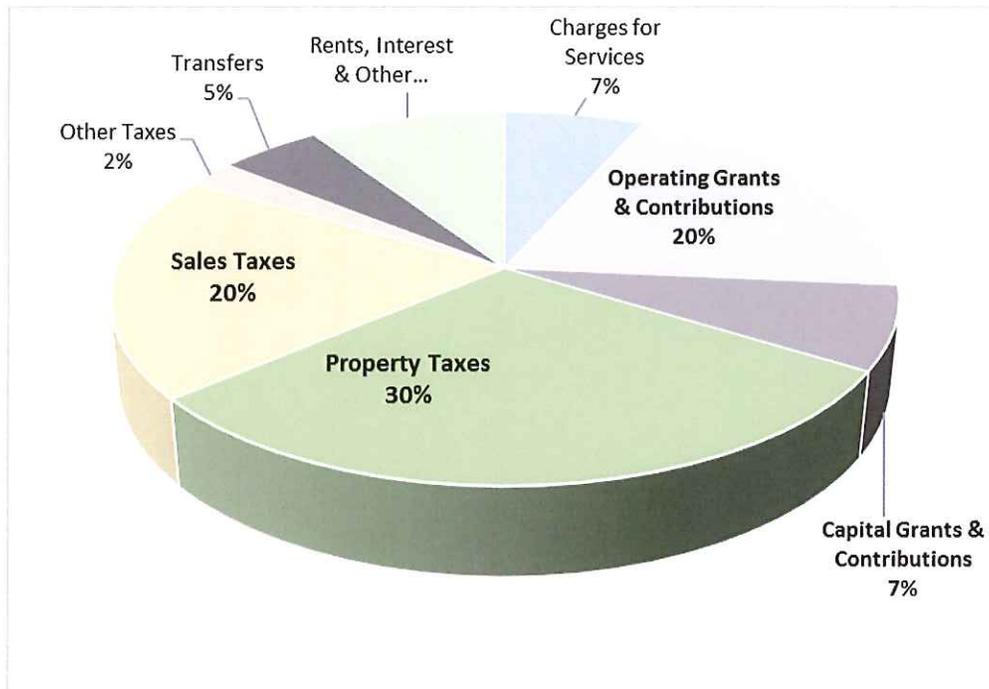
Statement of Revenues, Expenses and Change in Net Assets (Detail)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	539,596	442,517	4,222,657	4,135,810	4,762,253	4,578,327
Operating Grants & Contributions	1,585,010	1,439,906	10,000	-	1,595,010	1,439,906
Capital Grants & Contributions	585,015	311,401	334,995	76,482	920,010	387,883
<b>General Revenues:</b>						
Property Taxes	2,421,169	2,366,314			2,421,169	2,366,314
Sales Taxes	1,569,517	1,362,980			1,569,517	1,362,980
Other Taxes	181,072	313,187			181,072	313,187
Transfers	398,211	414,610	(398,211)	(414,610)	-	-
Rents, Interest & Other	756,714	529,915	95,992	79,174	852,706	609,089
<b>Total Revenues</b>	<b>8,036,304</b>	<b>7,180,830</b>	<b>4,265,433</b>	<b>3,876,856</b>	<b>12,301,737</b>	<b>11,057,686</b>
<b>Expenses:</b>						
General Government	1,150,956	1,008,227			1,150,956	1,008,227
Public Safety	2,509,952	2,608,332			2,509,952	2,608,332
Social Services	818,001	835,708			818,001	835,708
Public Works	1,420,443	1,440,741			1,420,443	1,440,741
Community Development	285,140	264,095			285,140	264,095
Interest & Fiscal Charges	151,506	154,956			151,506	154,956
Water			1,479,161	1,389,946	1,479,161	1,389,946
Sewer			1,483,410	1,462,301	1,483,410	1,462,301
Disposal			1,054,090	1,010,716	1,054,090	1,010,716
Storm Drain			71,455	92,968	71,455	92,968
<b>Total Expenses</b>	<b>6,335,998</b>	<b>6,312,059</b>	<b>4,088,116</b>	<b>3,955,931</b>	<b>10,424,114</b>	<b>10,267,990</b>
Increase in Net Position	1,700,306	868,771	177,317	(79,075)	1,877,623	789,696
Net Position - Beginning	21,852,017	22,842,925	13,338,167	14,200,976	35,190,184	37,043,901
Prior Period Adjustment	(142,450)	(1,859,679)	142,450	(783,734)	-	(2,643,413)
Net Position - Ending	<b>23,409,873</b>	<b>21,852,017</b>	<b>13,657,934</b>	<b>13,338,167</b>	<b>37,067,807</b>	<b>35,190,184</b>

Total governmental revenues for the year were \$8,036,304 with charges for services comprising of 6.7% of the total revenue. Taxes, which include property, sales and other taxes, account for \$4,171,758 or 51.9% of the City's governmental activities revenue.

Total governmental expenses for the year were \$6,335,998. Public Safety accounts for \$2,509,952 or 39.6% of the total governmental activities expenses, followed by Public Works, Social Services and Community Development with \$1,420,443, \$818,001, and \$285,140 or 22.4%, 12.9%, and 4.5% respectively.

### Revenues by Source-Governmental Activities

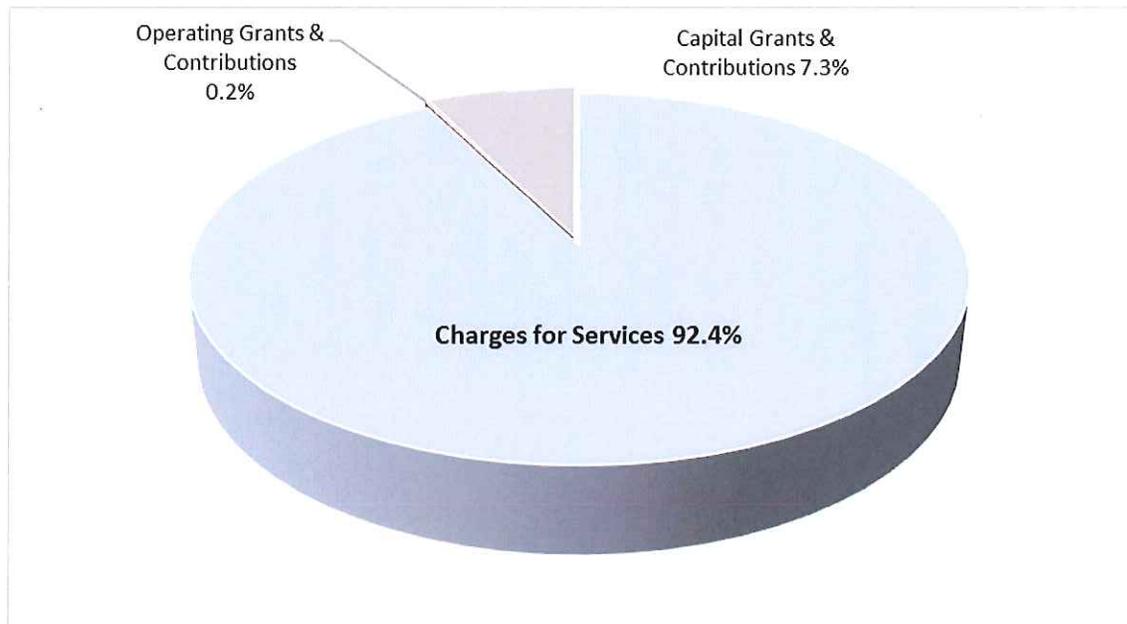


Program revenues which include charges for services, grant revenues and developer capital contributions account for \$2,709,621 or approximately 33.7% of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up by “general” revenues such as taxes, interest and developer fees.

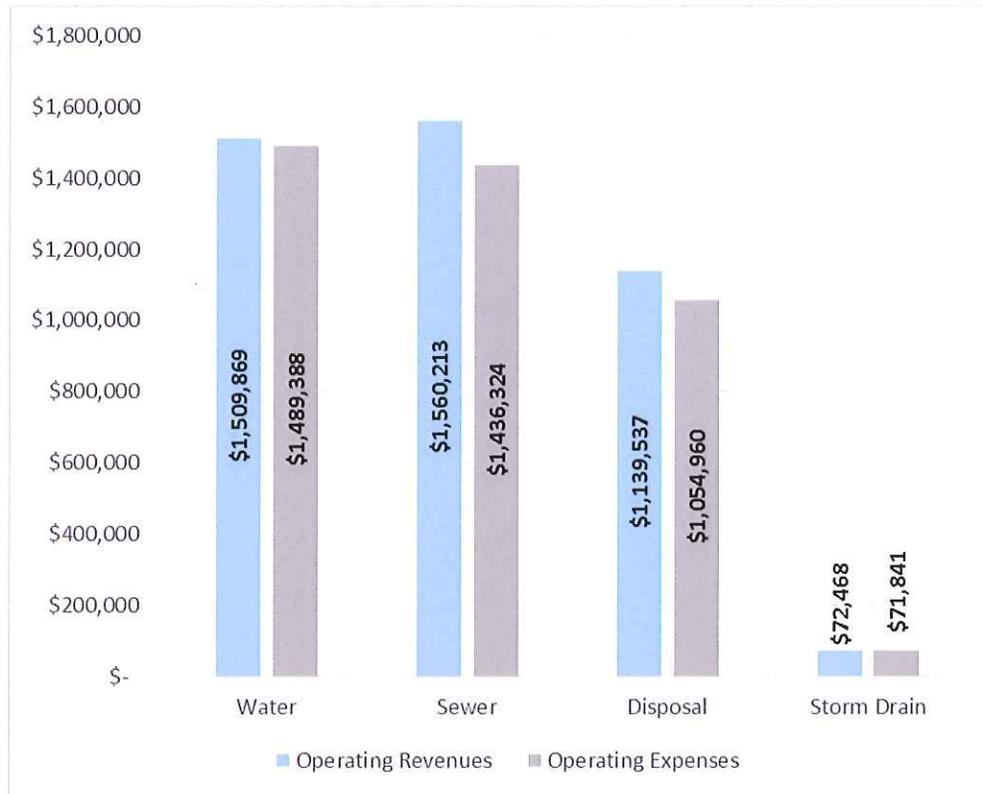
### Business-Type Activities

Business-type activities account for \$13,657,934 or 36.8% of the total Government-wide net assets. This is an increase of \$319,767 or 2.4% compared to June 30, 2015. Charges for current services account for \$4,222,657 or 88.7% of the total business-type activity revenue (excluding transfers).

### Revenues by Source-Business Type Activities



## Operating Expenses and Operating Revenues-Business Type Activities



In a review of the chart illustrating Operating Expenses and Operating Revenues, it can be noted in Water, Sewer, Disposal and Storm Drain that the operating revenues exceeded operating expenses and were sufficient to cover on-going operational costs and set aside approximately \$229,574 combined for Fiscal Year ending June 30, 2016.

### Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The ending fund balance for all governmental funds is \$5,342,685 which is an increase of \$346,643 or 6.9% when compared to the prior year balance. Of the total fund balance, \$963,879 or 18.0% is unreserved, which is available for spending at the City's discretion, within the limitations of the fund's purpose. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following:

- Circulation Improvements           \$ 797,188
- Development Activities             \$ 989,177

The General Fund is the chief operating fund of the City. As of June 30, 2016 the total fund balance of the General Fund was \$3,669,322 with the unassigned fund balance of \$963,879. The general fund total fund balance increased \$470,421 or 14.7% from the previous fiscal year. The unassigned portion, as indicated, is available for spending at the City's discretion.

The increase in the General Fund Balance indicates that the General Fund had more revenues and transfers in than it had expenditures and transfers out. The original 2015/2016 budget allowed for a \$261,184 net decrease to the fund balance. However, the actual end result from current year activity was a \$470,421 net increase to the General Fund, after capital outlay expenditures of \$257,540 (page 50).

Proprietary Funds. As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. All the City's enterprise funds ended the year with positive unrestricted net assets.

The internal service funds experienced an increase in unrestricted net position of \$82,078 with funds reserved for equipment replacements (page 19).

### General Fund Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual on page 50 outlines the differences between the budget and actual numbers. The City experienced \$849,334 or 19.3% more total revenues and \$143,037 or 3.1% increase in total expenditures that the final budget allowed for. Revenues and transfers exceeded expenditures and transfer out and increased the General Fund Balance by \$470,421.

### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$39,518,448 (net of depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and infrastructure.

Major capital asset additions this year include the following:

Building Improvements	\$ 593,749
Infrastructure Improvements	1,058,571
Machinery and Equipment	415,432
Construction in Progress (CIP)	406,508

Additional information on the City's capital assets can be found in note 5 on page 36.

#### Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	2,282,104	2,244,496	3,383,589	3,241,139	5,665,693	5,485,635
Buildings and Improvements	6,030,245	5,633,207	11,203,939	12,105,180	17,234,184	17,738,387
Machinery and Equipment	753,552	601,456	1,257,063	1,155,878	2,010,615	1,757,334
Construction in Progress	1,004,104	1,391,250	405,476	404,704	1,409,580	1,795,954
Infrastructure	13,198,376	12,488,641			13,198,376	12,488,641
<b>Total</b>	<b>23,268,381</b>	<b>22,359,050</b>	<b>16,250,067</b>	<b>16,906,901</b>	<b>39,518,448</b>	<b>39,265,951</b>

**Long-term Debt.** The City's long term debt as of June 30, 2016 was \$9,641,232 with governmental activities accounting for \$3,354,887 or 34.8% and business-type activities accounting for \$6,286,345 or 65.2%.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Note Payable, CA Energy Comm.	54,887	63,115			54,887	63,115
Bonds Payable, Sewer			233,285	283,285	233,285	283,285
Note Payable, CA Dept Water Conserv.			1,979,999	2,144,999	1,979,999	2,144,999
Note Payable, CA Dept Water Conserv.			4,073,061	4,306,737	4,073,061	4,306,737
Kerman PFA Lease/Rev Bonds	3,300,000	3,390,000			3,300,000	3,390,000
<b>Total</b>	<b>3,354,887</b>	<b>3,453,115</b>	<b>6,286,345</b>	<b>6,735,021</b>	<b>9,641,232</b>	<b>10,188,136</b>

Additional information on the City's long term debt can be found in note 6 on page 38.

## **Economic Factors and Next Year's Budgets**

Despite the continued slowed economy, the City is in excellent financial shape, especially when compared to the fiscal challenges faced by many cities.

Nearly eight years after the Great Recession, the U.S. economy continues on a slow path of recovery. One bright spot is that the job market continues to improve although slower than anticipated. These mixed signals reflect an ongoing uncertainty with the pace and strength of the economy's recovery.

Although the state economy is strengthening, the continued drought could have implications for the agricultural-based economy in the Central Valley as farms are left fallow due to lack of water. The ripple effect could prove dire for many Valley communities if the drought continues. The City of Kerman along with the other west side communities rely on the agricultural economy so there is continued concern with the water issues still unresolved.

Other factors impacting local governments include changes to pension contribution rates and the impacts of the Affordable Care Act on the health insurance industry. These two employee benefits must be part of an elongated view in order to carefully evaluate their impacts in the years to come. The City has experienced a sizeable increase to health insurance costs effective July 1, 2016 and there is still a lot of uncertainty surrounding the rates and benefits.

Total citywide revenue budgeted for fiscal year 2016-2017 is \$13,780,788 with expenditures budgeted at \$17,594,860 of which \$6,553,020 is dedicated for capital expenditures, which will be funded by a variety of funding sources.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Kerman's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Kerman, 850 S. Madera Avenue, Kerman CA 93630.

**CITY OF KERMAN**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,924,443	\$ 4,723,467	\$ 9,647,910
Accounts receivable, net	20,525	52,574	73,099
Taxes receivable	598,104	-	598,104
Due from other governments	194,193	-	194,193
Interest receivable	4,327	-	4,327
Internal balances	(73,019)	73,019	-
Capital assets, net of allowance for depreciation	<u>23,268,381</u>	<u>16,250,067</u>	<u>39,518,448</u>
Total assets	<u>28,936,954</u>	<u>21,099,127</u>	<u>50,036,081</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>351,486</u>	<u>98,004</u>	<u>449,490</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	276,002	199,432	475,434
Accrued interest payable	37,214	25,075	62,289
Deposits payable	12,227	107,717	119,944
Long-term liabilities			
Due within one year	103,481	456,012	559,493
Due in more than one year	3,251,406	5,830,333	9,081,739
Compensated absences	323,359	102,749	426,108
Net pension liability	<u>1,270,746</u>	<u>548,373</u>	<u>1,819,119</u>
Total liabilities	<u>5,274,435</u>	<u>7,269,691</u>	<u>12,544,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total deferred inflows of resources	<u>604,132</u>	<u>269,506</u>	<u>873,638</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,913,494	9,963,722	29,877,216
Restricted for specific projects and programs	1,786,365	-	1,786,365
Restricted for capital improvements	-	1,406,948	1,406,948
Unrestricted	<u>1,710,014</u>	<u>2,287,264</u>	<u>3,997,278</u>
Total net position	<u>\$ 23,409,873</u>	<u>\$ 13,657,934</u>	<u>\$ 37,067,807</u>

**CITY OF KERMAN**

**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	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 1,150,956	\$ 94,478	\$ -	\$ -	(1,056,478)	\$ -	(1,056,478)
Public works	1,420,443	-	1,190,115	160,019	(70,309)	-	(70,309)
Community development	285,140	297,397	182,620	422,124	617,001	-	617,001
Social services	818,001	42,264	21,942	-	(753,795)	-	(753,795)
Public safety	2,509,952	105,457	190,333	2,872	(2,211,290)	-	(2,211,290)
Debt Service							
Interest and fiscal charges	151,506	-	-	-	(151,506)	-	(151,506)
Total governmental activities	6,335,998	539,596	1,585,010	585,015	(3,626,377)	-	(3,626,377)
Business-type activities							
Water	1,479,161	1,530,685	-	107,558	-	159,082	159,082
Sewer	1,483,410	1,503,639	-	137,528	-	157,757	157,757
Disposal	1,054,090	1,117,259	10,000	-	-	73,169	73,169
Storm Drain	71,455	71,074	-	89,909	-	89,528	89,528
Total business-type activities	4,088,116	4,222,657	10,000	334,995	-	479,536	479,536
<b>Total primary government</b>	\$ 10,424,114	\$ 4,762,253	\$ 1,595,010	\$ 920,010	(3,626,377)	479,536	(3,146,841)
<b>General Revenue</b>							
Property taxes					2,208,399	-	2,208,399
Special assessments					212,770	-	212,770
Sales taxes					1,569,517	-	1,569,517
Franchise and other taxes					113,400	-	113,400
Business licenses					67,672	-	67,672
Rents					399,550	34,747	434,297
Interest income					82,394	36,562	118,956
Other					274,770	24,683	299,453
Transfers					398,211	(398,211)	-
Total general revenue and transfers					5,326,683	(302,219)	5,024,464
<b>Change in Net Position</b>					1,700,306	177,317	1,877,623
<b>Net Position</b>							
Beginning of year					21,852,017	13,338,167	35,190,184
Prior period adjustments					(142,450)	142,450	-
End of year					\$ 23,409,873	\$ 13,657,934	\$ 37,067,807

# CITY OF KERMAN

## BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2016

	General	Local Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,047,422	\$ 288,567	\$ 1,466,245	\$ 4,802,234
Accounts receivable	20,525	-	-	20,525
Taxes receivable	598,104	-	-	598,104
Due from other governments	16,581	44,795	132,817	194,193
Interest receivable	4,327	-	-	4,327
Due from other funds	185,232	-	-	185,232
Total assets	<u>\$ 3,872,191</u>	<u>\$ 333,362</u>	<u>\$ 1,599,062</u>	<u>\$ 5,804,615</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued expense	\$ 190,642	13,960	\$ 59,869	\$ 264,471
Due to other funds	-	-	185,232	185,232
Deposits and other liabilities	12,227	-	-	12,227
Total liabilities	<u>202,869</u>	<u>13,960</u>	<u>245,101</u>	<u>461,930</u>
<b>Fund Balance</b>				
Restricted				
Circulation improvements	-	319,402	477,786	797,188
Development activities	-	-	989,177	989,177
Committed				
Emergency reserve	1,178,383	-	-	1,178,383
Revenue stability reserve	707,030	-	-	707,030
Major asset repair and replacement reserve	707,030	-	-	707,030
Unassigned	1,076,881	-	(113,002)	963,879
Total fund balance	<u>3,669,322</u>	<u>319,402</u>	<u>1,353,961</u>	<u>5,342,685</u>
Total liabilities and fund balance	<u>\$ 3,872,191</u>	<u>\$ 333,362</u>	<u>\$ 1,599,062</u>	<u>\$ 5,804,615</u>

# CITY OF KERMAN

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

---

Total governmental fund balance	\$ 5,342,685
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	22,676,671
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the funds	(1,270,746)
Deferred outflows of resources related to net pension liability, represent an consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time	351,486
Deferred inflows of resources related to net pension liability, 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	(604,132)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(3,354,887)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(323,359)
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	(37,214)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	<u>629,369</u>
Net position of governmental activities	<u>\$ 23,409,873</u>

**CITY OF KERMAN**

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

	<u>General</u>	<u>Local Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>				
Taxes	\$ 3,812,930	\$ -	\$ 212,770	\$ 4,025,700
Licenses, permits and impact fees	420,511	-	418,994	839,505
Intergovernmental	366,130	429,522	1,070,846	1,866,498
Charges for services	164,640	-	6,136	170,776
Fines and forfeitures	49,787	-	-	49,787
Rents	157,565	-	241,985	399,550
Interest	67,813	4,254	11,725	83,792
Other	202,482	-	-	202,482
Total revenue	<u>5,241,858</u>	<u>433,776</u>	<u>1,962,456</u>	<u>7,638,090</u>
<b>Expenditures</b>				
Current				
General government	516,512	-	-	516,512
Public works	480,917	116,563	499,378	1,096,858
Community development	180,740	-	104,398	285,138
Social services	553,029	-	205,193	758,222
Public safety	2,724,792	-	-	2,724,792
Capital outlay	257,540	918,096	301,147	1,476,783
Debt Service				
Principal	-	-	98,228	98,228
Interest and fiscal charges	-	-	152,322	152,322
Total expenditures	<u>4,713,530</u>	<u>1,034,659</u>	<u>1,360,666</u>	<u>7,108,855</u>
Revenue over/(under) expenditures	528,328	(600,883)	601,790	529,235
<b>Other Financing Sources/(Uses)</b>				
Transfers in/(out) - net	(57,907)	(13,672)	(111,013)	(182,592)
	<u>(57,907)</u>	<u>(13,672)</u>	<u>(111,013)</u>	<u>(182,592)</u>
<b>Change in Fund Balance</b>	470,421	(614,555)	490,777	346,643
<b>Fund Balance</b>				
Beginning of year	3,198,901	933,957	863,184	4,996,042
End of year	<u>\$ 3,669,322</u>	<u>\$ 319,402</u>	<u>\$ 1,353,961</u>	<u>\$ 5,342,685</u>

# CITY OF KERMAN

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

---

Net change in fund balance - total governmental funds		\$ 346,643
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 capitalized and allocated over their estimated lives and reported as depreciation expense		
Capital outlay expenditures are therefore added back to fund balances	1,476,783	
Depreciation expense not reported in governmental funds	<u>(568,119)</u>	
		908,664
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Proceeds of long-term debt produces the opposite effect		98,228
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		328,630
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities		60,451
In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due		816
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		<u>(43,126)</u>
Change in net position of governmental activities		<u>\$ 1,700,306</u>



CITY OF KERMAN

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

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Disposal	Storm Drain	Total Proprietary Funds	
<b>Operating Revenue</b>						
Charges for services	\$ 1,452,843	\$ 1,469,101	\$ 1,117,259	\$ 71,074	\$ 4,110,277	\$ -
Other revenues	57,026	91,112	22,278	1,394	171,810	-
Total operating income	1,509,869	1,560,213	1,139,537	72,468	4,282,087	-
<b>Operating Expense</b>						
Contractual services and utilities	321,062	298,725	857,133	1,001	1,477,921	41,417
Personnel	611,029	432,747	148,015	42,188	1,233,979	109,892
Supplies and materials	213,832	163,856	49,794	11,189	438,671	210,162
Depreciation	343,465	540,996	18	17,463	901,942	138,877
Total operating expense	1,489,388	1,436,324	1,054,960	71,841	4,052,513	500,348
Operating income/(loss)	20,481	123,889	84,577	627	229,574	(500,348)
<b>Nonoperating Revenue/(Expense)</b>						
Intergovernmental	-	-	10,000	-	10,000	-
Development impact fees	107,558	137,528	-	89,909	334,995	-
Interest income	23,049	9,593	3,117	803	36,562	1,623
Interest expense	-	(57,231)	-	-	(57,231)	-
Total nonoperating revenue/(expense)	130,607	89,890	13,117	90,712	324,326	1,623
Net income/(loss) before transfers	151,088	213,779	97,694	91,339	553,900	(498,725)
<b>Operating Transfers In/(Out)</b>	(148,108)	(158,504)	(75,364)	(16,235)	(398,211)	580,803
<b>Change in Net Position</b>	2,980	55,275	22,330	75,104	155,689	82,078
<b>Net Position</b>						
Beginning of year	4,322,987	7,757,649	219,765	986,375	13,286,776	620,310
Prior period adjustments	-	-	-	142,450	142,450	-
End of year	\$ 4,325,967	\$ 7,812,924	\$ 242,095	\$ 1,203,929	\$ 13,584,915	\$ 702,388
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						
					21,628	
Change in net position of business-type activities (Page 13)						
					\$ 177,317	

CITY OF KERMAN

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

	Business-Type Activities - Enterprise Funds					Total Business-Type Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Disposal	Storm Drain			
<b>Operating Activities</b>							
Receipts from customers and users	\$ 1,517,575	\$ 1,563,845	\$ 1,138,577	\$ 72,638	\$ 4,292,635	\$ -	
Payments for contractual services and utilities	(306,019)	(296,369)	(855,674)	(20,244)	(1,478,306)	(37,939)	
Payments to employees	(213,832)	(643,676)	(156,702)	(44,477)	(1,305,601)	(109,892)	
Payment to suppliers	(213,832)	(163,856)	(49,794)	(11,189)	(438,671)	(210,162)	
Net cash provided (used) by operating activities	354,048	642,874	76,407	(3,272)	1,070,057	(357,993)	
<b>Non-capital Financial Activities</b>							
Payments from other governments	-	-	10,000	-	10,000	-	
Payments (to)/from developers	107,558	137,528	-	89,908	334,994	-	
Transfers (to)/from other funds	(148,108)	(158,504)	(75,364)	(16,234)	(398,210)	580,803	
Net cash provided by (used in) noncapital financing activities	(40,550)	(20,976)	(65,364)	73,674	(53,216)	580,803	
<b>Capital and Related Financing Activities</b>							
Purchase of property, plant and equipment	(67,710)	(34,949)	-	-	(102,659)	(281,995)	
Principal paid on long-term debt	(165,000)	(283,676)	-	-	(448,676)	-	
Interest paid on long-term debt	-	(57,231)	-	-	(57,231)	-	
Net cash used in capital and related financing activities	(232,710)	(375,856)	-	-	(608,566)	(281,995)	
<b>Investing Activities</b>							
Interest received	23,049	9,593	3,117	803	36,562	1,623	
Net cash provided by investing activities	23,049	9,593	3,117	803	36,562	1,623	
<b>Net Increase (Decrease) in Cash</b>	103,837	255,635	14,160	71,205	444,837	(57,562)	
<b>Cash</b>							
Beginning of year	2,746,308	1,120,468	379,804	32,050	4,278,630	179,771	
End of year	2,850,145	1,376,103	393,964	103,255	4,723,467	122,209	
<b>Cash Flows from Operating Activities</b>							
Operating income (loss)	\$ 20,481	\$ 123,889	\$ 84,577	\$ 627	\$ 229,574	\$ (500,348)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	343,465	540,996	18	17,463	901,942	138,877	
(Increase) Decrease in Accounts Receivable	2,996	3,632	(960)	169	5,837	-	
(Increase) Decrease in Deferred Outflows of Resources	(15,279)	(14,644)	(3,752)	(572)	(34,247)	-	
Increase (Decrease) in Accounts Payable and Accrued Liabilities	15,043	2,356	1,459	(19,242)	(384)	3,478	
Increase (Decrease) in Deposits	4,710	-	-	-	4,710	-	
Increase (Decrease) in Deferred Inflows of Resources	18,521	15,151	4,457	1,097	39,226	-	
Increase (Decrease) in Net Pension Liability	(41,828)	(32,077)	(9,991)	(2,814)	(86,710)	-	
Increase (Decrease) in Compensated Absences	5,939	3,571	599	-	10,109	-	
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 354,048	\$ 642,874	\$ 76,407	\$ (3,272)	\$ 1,070,057	\$ (357,993)	

**CITY OF KERMAN**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS**  
**JUNE 30, 2016**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 503,311
Total assets	<u>503,311</u>
<b>LIABILITIES</b>	
Agency funds payable	<u>503,311</u>
Total liabilities	<u>\$ 503,311</u>

# CITY OF KERMAN

## STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS JUNE 30, 2016

---

	<u>Kerman Unified School District</u>	<u>Redevelopment Successor Agency</u>
<b>Assets</b>		
Cash and investments	\$ -	\$ 66,873
Total assets	<u>-</u>	<u>66,873</u>
<b>Liabilities</b>		
Unearned revenues	-	66,870
Long-term debt		
Due within one year	-	11,911
Due in more than one year	<u>-</u>	<u>15,057</u>
Total liabilities	<u>-</u>	<u>93,838</u>
<b>Net Position</b>		
Held in trust for other governments	<u>\$ -</u>	<u>\$ (26,965)</u>

# CITY OF KERMAN

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

---

	<u>Kerman Unified School District</u>	<u>Redevelopment Successor Agency</u>
<b>Additions</b>		
Property taxes	\$ -	\$ 165,164
Investment earnings and other	-	12
Total additions	<u>-</u>	<u>165,176</u>
<b>Deductions</b>		
Administrative costs	-	94,487
Program expenses	8,624	58,054
Interest expense	-	1,070
Total deductions	<u>8,624</u>	<u>153,611</u>
<b>Change In Net Position</b>	(8,624)	11,565
<b>Net Position</b>		
Beginning of year	<u>8,624</u>	<u>(38,530)</u>
End of year	<u>\$ -</u>	<u>\$ (26,965)</u>

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Kerman (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 are 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 was incorporated as a general law city in 1946. 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.

Also included in this report is the Kerman Public Financing Authority (KPFA). The KPFA was established in 2007 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City. The City set up the KPFA to act as a financing/lending type institution only. The KPFA/City legislative meetings are held concurrently. No separate annual financial statements are prepared for the KPFA.

#### Basis of Presentation – Fund Accounting

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. 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. 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 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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

Net position is 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.

**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, community services, planning and general administrative services.

*Local Transportation Fund* - This fund accounts for the expenditures of Local Transportation funds received.

The City reports the following major enterprise funds:

*Water Fund* – The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

*Sewer Fund* – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

*Disposal Fund* – The Disposal Fund accounts for the operation and maintenance of the City's sanitation system.

*Storm Drain Fund* – The Storm Drain Fund accounts for the operation and maintenance of the City's storm drain system.

The City reports the following additional fund types:

*Internal Service Fund* – The Internal Service Fund accounts for fleet management and computer services provided to other departments or agencies of the government, on a cost reimbursement basis.

*Agency Funds* - The Agency Funds account for assets held by the City as an agent for various local governments or other entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Private-Purpose Trust Funds* - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Kerman Unified School District and the Successor Agency.

# CITY OF KERMAN

## NOTES TO 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 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, 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 Cash Equivalents* - Cash and cash equivalents 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 quarterly ending 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 money market accounts and certificates of deposit. Investments are stated at fair value.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

*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 the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible.

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 January 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 January 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 column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 for roadways and \$5,000 for all other assets, and an estimated useful life of at least three years. 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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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:

	<u>Years</u>
Infrastructure	50
Buildings	20 - 40
Improvements	30 - 50
Equipment	5 - 10

*Compensated Absences* - It is the City's policy to permit all employees to accumulate earned but unused vacation, sick pay and compensatory time benefits within limits outlined in Memorandums of Understanding (MOU).

Vested or accumulated vacation and sick leave along with any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

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

*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.

*Long-Term Obligations* - In the Government-Wide Financial Statements and in the 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 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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

*Net Position* - The government-wide and business-type activities financial statements utilize a net position presentation. Net position 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, 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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

- 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.

### 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 Kerman 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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### 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	\$ 9,647,910
Fiduciary Funds:	
Cash and Investments	<u>570,184</u>
Total Cash and Investments	<u>\$ 10,218,094</u>

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

Cash on hand	\$ 1,350
Deposits with Financial Institutions	4,819,478
Certificates of deposit	<u>5,397,266</u>
Total Cash and Investments	<u>\$ 10,218,094</u>

# CITY OF KERMAN

## NOTES TO 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
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	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
JPA Pools (other investment pools)	N/A	None	None

# CITY OF KERMAN

## NOTES TO 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. One of the ways that the City of Kerman manages its exposure to interest rate risk is through the purchase of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investment Type	Fair Value	Remaining Maturity (in months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Certificates of deposit	\$ 5,397,266	\$ 1,340,526	\$ 1,993,558	\$ 2,063,182
Total	<u>\$ 5,397,266</u>	<u>\$ 1,340,526</u>	<u>\$ 1,993,558</u>	<u>\$ 2,063,182</u>

# CITY OF KERMAN

## NOTES TO 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.

Investment Type		Minimum Legal Rating	Rating as of Year End	
				Not Rated
Certificates of deposit	\$ 5,397,266	N/A	\$	5,397,266
Total	\$ 5,397,266		\$	5,397,266

#### 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 were no investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total City-wide investments as of June 30, 2016.

#### 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.

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.

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

---

**Note 4 – Receivables**

The following is a summary of receivables at June 30, 2016 for the City’s individual major and non-major funds in the aggregate:

	<u>General</u>	<u>Local Transportation</u>	<u>Other Governmental Funds</u>
<b>Governmental Funds</b>			
Accounts	\$ 20,525	\$ -	\$ -
Taxes	598,104	-	-
Intergovernmental	16,581	44,795	132,817
Interest	4,327	-	-
	<u>\$ 639,537</u>	<u>\$ 44,795</u>	<u>\$ 132,817</u>

The following is a summary of receivables at June 30, 2016 for the City’s individual enterprise funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Storm Drain</u>
<b>Enterprise Funds</b>				
Accounts	\$ 26,296	\$ 33,505	\$ 23,704	\$ 1,901
Gross receivables	26,296	33,505	23,704	1,901
Less: Allowance for uncollectible accounts	<u>(10,870)</u>	<u>(13,850)</u>	<u>(7,325)</u>	<u>(787)</u>
	<u>\$ 15,426</u>	<u>\$ 19,655</u>	<u>\$ 16,379</u>	<u>\$ 1,114</u>

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**Note 5 – Capital Assets** – Capital asset activities for the year ended June 30, 2016 were as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 2,102,046	\$ 180,058	\$ -	\$ 2,282,104
Construction in progress	1,391,253	351,246	(738,395)	1,004,104
Total capital assets, not being depreciated	<u>3,493,299</u>	<u>531,304</u>	<u>(738,395)</u>	<u>3,286,208</u>
Capital assets, being depreciated				
Buildings and improvements	7,262,083	593,047	-	7,855,130
Infrastructure	14,952,075	1,058,571	-	16,010,646
Machinery and equipment	2,305,072	314,247	(200,195)	2,419,124
Total capital assets, being depreciated	<u>24,519,230</u>	<u>1,965,865</u>	<u>(200,195)</u>	<u>26,284,900</u>
Less accumulated depreciation for				
Buildings and improvements	(1,751,661)	(196,009)	-	(1,947,670)
Infrastructure	(2,340,650)	(348,836)	-	(2,689,486)
Machinery and equipment	(1,703,615)	(162,151)	200,195	(1,665,571)
Total accumulated depreciation	<u>(5,795,926)</u>	<u>(706,996)</u>	<u>200,195</u>	<u>(6,302,727)</u>
Total capital assets, being depreciated, net	<u>18,723,304</u>	<u>1,258,869</u>	<u>-</u>	<u>19,982,173</u>
Governmental activities capital assets, net	<u>\$ 22,216,603</u>	<u>\$ 1,790,173</u>	<u>\$ (738,395)</u>	<u>\$ 23,268,381</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 3,383,589	\$ -	\$ -	\$ 3,383,589
Construction in progress	404,704	55,262	(54,490)	405,476
Total capital assets, not being depreciated	<u>3,788,293</u>	<u>55,262</u>	<u>(54,490)</u>	<u>3,789,065</u>
Capital assets, being depreciated				
Buildings and improvements	20,398,303	702	-	20,399,005
Machinery and equipment	1,155,878	101,185	-	1,257,063
Total capital assets, being depreciated	<u>21,554,181</u>	<u>101,887</u>	<u>-</u>	<u>21,656,068</u>
Less: accumulated depreciation	<u>(8,293,123)</u>	<u>(901,943)</u>	<u>-</u>	<u>(9,195,066)</u>
Total capital assets, being depreciated, net	<u>13,261,058</u>	<u>(800,056)</u>	<u>-</u>	<u>12,461,002</u>
Business-type activities capital assets, net	<u>\$ 17,049,351</u>	<u>\$ (744,794)</u>	<u>\$ (54,490)</u>	<u>\$ 16,250,067</u>

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

---

**Note 5 – Capital Assets (Continued)**

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

**Governmental Functions:**

General Government	\$	99,001
Public Works and Community Development		356,733
Social Services		92,740
Public Safety		19,645
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset		<u>138,877</u>
	\$	<u>706,996</u>

**Business-Type Functions:**

Water	\$	343,465
Sewer		540,996
Disposal		18
Storm Drain		<u>17,463</u>
	\$	<u>901,942</u>

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 6 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Long-term debt payable at June 30, 2016 was comprised of the following individual issues:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
<b><u>Governmental Activity Long Term Debt</u></b>					
Notes Payable					
California Energy Commission	\$ 63,115	\$ -	\$ (8,228)	\$ 54,887	\$ 8,481
Kerman Public Finance Authority Bonds					
2007 Lease Revenue Bonds	3,390,000	-	(90,000)	3,300,000	95,000
Total Governmental Activity Debt	<u>\$ 3,453,115</u>	<u>\$ -</u>	<u>\$ (98,228)</u>	<u>\$ 3,354,887</u>	<u>\$ 103,481</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
Bonds Payable					
Sewer Revenue Bond	\$ 283,285	\$ -	\$ (50,000)	\$ 233,285	\$ 55,000
Notes Payable					
California Dept. of Water Resources	2,144,999	-	(165,000)	1,979,999	165,000
California Dept. of Water Resources	4,306,737	-	(233,676)	4,073,061	236,012
Total Business-Type Activity Debt	<u>\$ 6,735,021</u>	<u>\$ -</u>	<u>\$ (448,676)</u>	<u>\$ 6,286,345</u>	<u>\$ 456,012</u>
<b><u>Compensated Absences</u></b>					
Government Activities	\$ 280,233	\$ 43,126	\$ -	\$ 323,359	
Business-Type Activities	<u>\$ 92,640</u>	<u>\$ 10,109</u>	<u>\$ -</u>	<u>\$ 102,749</u>	

**California Energy Commission Note Payable** – In June of 2012, the City entered into a loan agreement for \$86,321 with the State of California Energy Commission to retrofit existing street lights with LED technology. Terms of the note call for semi-annual payments of \$5,032 including interest at 3.00%, which begins December 2012 and will mature in June 2022. The outstanding balance on the note at June 30, 2016 was \$54,887.

**Kerman Public Financing Authority Bonds** - The KPFA was established in 2007 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA.

The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of acquiring, constructing, or improving and equipping capital improvements (projects) for the City and the Agency. The City set up the KPFA to act as a financing/lending type institution only.

In October 2007, the KPFA issued the 2007 Lease Revenue Bonds in the amount of \$3,930,000. The 2007 Lease Revenue principal payments are made each October 1 beginning in 2008 through 2037. Interest is to be paid semi-annually on April 1 and October 1 through 2037. The interest rates range from 3.5% to 4.75%.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 6 – Long-Term Debt (Continued)

**Sewer Revenue Bond** – In 1981, the City issued \$1,200,000 of revenue bonds to construct additional sewer facilities. Interest at the rate of 5% annually is paid semi-annually each April and October. The outstanding balance at June 30, 2016 was \$233,285.

**California Department of Water Resources Construction Loan** – The City entered into a contract with the State of California, Department of Water Resources in 2003. The contract provides for a 20 year loan at a zero percent interest rate. Terms of the note call for semi-annual principal payments of \$82,500 beginning January 1, 2008 and will mature on January 1, 2028. The outstanding balance on the note at June 30, 2016 was \$1,979,999.

**California Department of Water Resources Wastewater Upgrade Loan** – The City entered into a revolving loan agreement with the State of California, Department of Water Resources in September 2009. The agreement provides for a loan of up to \$4,957,479 for sewer system upgrades. Construction period interest of \$38,241 was combined with the loan amount for a final total loan of \$4,995,720. Terms of the loan call for annual payments of \$276,743 including interest at 1.00%, which begins September 2012 and will mature in September 2031. The outstanding balance on the note at June 30, 2016 was \$4,073,061.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2016 were 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	\$ 103,481	\$ 148,658	\$ 456,012	\$ 52,395
2018	103,737	144,767	458,372	47,285
2019	109,003	140,702	465,756	42,151
2020	114,271	136,328	468,164	36,743
2021	119,554	131,638	413,880	31,230
2022-2026	634,842	580,846	2,090,310	118,404
2027-2031	760,000	427,207	1,659,851	53,861
2031-2036	960,000	224,912	274,000	2,740
2037-2038	449,999	21,613	-	-
	<u>\$ 3,354,887</u>	<u>\$ 1,956,671</u>	<u>\$ 6,286,345</u>	<u>\$ 384,809</u>

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 7 – Fund Balance

**Fund Balance and Retained Earnings Deficits** - The following is a summary of deficit fund balances and retained earnings as of June 30, 2016:

Capital Project Funds	
Public Building Facility	\$ (113,002)
	<u>\$ (113,002)</u>

These deficits are expected to be relieved from future revenues or transfers from other funds.

### Note 8 – Interfund Receivables, Payables and Transfers

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.

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

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 185,232	\$ -
Senior Center Fund	-	1,273
Transit Fund	-	12,511
Public Building Facility Fund	-	113,002
State Grants	-	6,884
Housing Grant	-	10,670
Street Maintenance & Construction Fund	-	40,892
	<u>\$ 185,232</u>	<u>\$ 185,232</u>

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 8 – Interfund Receivables, Payables and Transfers (Continued)

#### 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>
<b>Major Governmental Funds:</b>		
General Fund	\$ -	\$ 57,907
Local Transportation	4,918	-
<b>Proprietary Funds:</b>		
Water	-	148,108
Sewer	-	158,504
Disposal	-	75,364
Storm Drain	-	16,235
Internal Service	580,803	-
<b>Nonmajor Governmental Funds:</b>		
Measure C	-	70,855
Gas Tax	-	13,672
Senior Center	3,485	-
Maintenance District	-	32,878
Transit	15,558	-
State Grants	-	31,241
	<u>\$ 604,764</u>	<u>\$ 604,764</u>

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 9 – 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 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.

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$25,000 of each occurrence is charged directly to the member. Each member maintains a \$1,000,000 self-insured retention (SIR) amount covered by the Authority pooled investments. The Authority purchases excess liability coverage through the California Affiliated Risk Management Authority for the amount in excess of \$1,000,000.

The City maintains a self-insured retention level of \$50,000 for workers' compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$5,000,000 to \$200,000,000. Each program year is retrospectively adjusted three years after the end of the program year and annually thereafter.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

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>

### Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 10 – 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	\$350,320
Adjustment due to differences in proportions	36,413
Difference between expected and actual experience	9,432
Difference in projected and actual contributions	<u>54,220</u>
Total deferred outflows of resources	<u>\$449,490</u>

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	\$100,677
Difference between expected and actual experience	24,000
Difference in projected and actual contributions	79,261
Adjustment due to differences in proportions	<u>470,083</u>
Total deferred inflows of resources	<u>\$873,638</u>

### Note 11 – 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** – Active plan members in the Plan are required to contribute 7% of their covered salary for both miscellaneous and public safety members. The City contributes 4% of the employee portion. 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 CalPERS Board of Administration. The required employer contribution rates for the fiscal year ended June 30, 2016 Miscellaneous Classic, PEPRSA miscellaneous, Safety Classic, and PEPRSA Safety were 6.709%, 6.25%, 13.985%, and 9.07%, respectively. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**Note 11 – Pension Plan (Continued)**

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

	<u>Miscellaneous Classic</u> Prior to January 1, 2013	<u>PEPRA Miscellaneous</u> On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% at 60; 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	60	60
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	6.24%
Required Employer Contribution Rates	6.709%	6.25%
	<u>Safety Classic</u> Prior to January 1, 2013	<u>PEPRA Safety</u> On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% at 55; maximum 2% COLA	2.0% at 57; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	55
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	9.50%
Required Employer Contribution Rates	13.985%	9.07%

Employees hired July 1, 2012 and thereafter pay the full 7% employee contribution per adopted Memoranda of Understanding if the employee is considered a “Classic” employee under PEPRA.

**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.

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

---

**Note 11 – Pension Plan (Continued)**

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

Contributions – employer	\$ 350,320
Contributions – employee	\$ 233,353

**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:

	<u>Proportionate Shre of Net Pension Liability</u>	
Miscellaneous Plan	\$	1,170,326
Safety Police Plan		648,964
PEPRA Miscellaneous Plan		(179)
PEPRA Safety Police Plan		8
Total Net Pension Liability	<u>\$</u>	<u>1,819,119</u>

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, 2014, 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>	<u>Safety</u>
Proportion – June 30, 2014	0.02196%	.01281%
Proportion – June 30, 2015	0.04265%	.01575%
Change – Increase/(Decrease)	0.02069%	.00294%

**CITY OF KERMAN**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

---

**Note 11 – Pension Plan (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$222,427. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 350,320	\$ -
Adjustment due to differences in proportions	36,413	(470,083)
Difference between expected and actual experience	9,432	(24,000)
Difference in projected and actual contributions	53,325	(79,261)
Changes in assumptions or other inputs	-	(199,617)
Net differences between projected and actual earnings on pension plan investments	-	(100,677)
Total	<u>\$ 449,490</u>	<u>\$ (873,638)</u>

\$350,320 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	\$ (203,807)
2017	(203,807)
2018	(203,807)
2019	(163,047)
Thereafter	-

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 11 – Pension Plan (Continued)

**Actuarial Assumptions** – The total pension liability in the June 30, 2014 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 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

<sup>1</sup> 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.

**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.

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 11 – Pension Plan (Continued)

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.

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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
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%
<b>Total</b>	<b>100%</b>		

1 An expected inflation of 2.5% used for this period

2 An expected inflation of 3.0% used for this period

# CITY OF KERMAN

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

---

### Note 11 – Pension Plan (Continued)

**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:			
Miscellaneous Plan	\$ 1,962,713	\$ 1,170,326	\$ 516,112
Safety Police Plan	1,040,512	648,964	327,902
PEPRA Miscellaneous Plan	(300)	(179)	(79)
PEPRA Safety Police Plan	13	8	4

**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.

### Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through August 29, 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.

### Note 13 – Prior Period Adjustments

The Storm Drain Fund has a prior period adjustment of \$142,450 for the understatement of land. The net effect of the prior period adjustments increased the net position to that fund.

The Statement of Activities has a prior period adjustment of \$142,450 for the overstatement of land. The net effect of the prior period adjustments decreased the net position in the government-wide.

**REQUIRED SUPPLEMENTARY INFORMATION**

---

**CITY OF KERMAN**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
<b>Revenue</b>				
Taxes	\$ 3,508,554	\$ 3,601,100	\$ 3,812,930	\$ 211,830
Licenses, permits and impact fees	185,250	179,250	420,511	241,261
Intergovernmental	47,262	244,798	366,130	121,332
Charges for services	169,488	169,488	164,640	(4,848)
Fines and forfeitures	65,000	35,500	49,787	14,287
Rents	125,172	136,565	157,565	21,000
Interest	59,000	10,000	67,813	57,813
Other	17,200	15,823	202,482	186,659
Total revenue	<u>4,176,926</u>	<u>4,392,524</u>	<u>5,241,858</u>	<u>849,334</u>
<b>Expenditures</b>				
Current				
General government	440,759	456,279	516,512	(60,233)
Public works	362,043	423,134	480,917	(57,783)
Community development	170,671	207,098	180,740	26,358
Social services	512,009	561,229	553,029	8,200
Public safety	2,612,002	2,788,653	2,724,792	63,861
Capital outlay	114,899	134,100	257,540	(123,440)
Total expenditures	<u>4,212,383</u>	<u>4,570,493</u>	<u>4,713,530</u>	<u>(143,037)</u>
Revenue over (under) expenditures	(35,457)	(177,969)	528,328	706,297
<b>Other Financing Sources</b>				
Transfers in (out) - net	<u>(83,215)</u>	<u>(83,215)</u>	(57,907)	<u>25,308</u>
<b>Net Change in Fund Balance</b>	<u>\$ (118,672)</u>	<u>\$ (261,184)</u>	470,421	<u>\$ 731,605</u>
<b>Fund Balance</b>				
Beginning of year			<u>3,198,901</u>	
End of year			<u>\$ 3,669,322</u>	

**CITY OF KERMAN**

**BUDGETARY COMPARISON SCHEDULE  
LOCAL TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ 433,179	\$ 433,179	\$ 429,522	\$ (3,657)
Interest	4,050	4,050	4,254	204
Total revenue	<u>437,229</u>	<u>437,229</u>	<u>433,776</u>	<u>(3,453)</u>
<b>Expenditures</b>				
Public works	153,876	153,876	116,563	37,313
Capital outlay	<u>1,070,900</u>	<u>1,070,900</u>	<u>918,096</u>	<u>152,804</u>
Total expenditures	<u>1,224,776</u>	<u>1,224,776</u>	<u>1,034,659</u>	<u>190,117</u>
Revenue over expenditures	(787,547)	(787,547)	(600,883)	186,664
<b>Other Financing Sources/(Uses)</b>				
Transfers in/(out) - net	<u>(13,672)</u>	<u>(13,672)</u>	<u>(13,672)</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ (801,220)</u>	<u>\$ (801,220)</u>	<u>(614,555)</u>	<u>\$ 186,665</u>
<b>Fund Balance</b>				
Beginning of year			<u>933,957</u>	
End of year			<u>\$ 319,402</u>	

**CITY OF KERMAN**

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

	Safety		PEPRA Safety		Miscellaneous		PEPRA Miscellaneous	
	2015	2016	2016	2016	2015	2016	2016	2016
Proportion of the net pension liability	0.01281%	0.00158%	0.00000%	0.02196%	0.04266%			
Proportionate share of the net pension liability	\$ 797,321	\$ 648,964	\$ 8	\$ 1,366,654	\$ 1,170,326	\$ (179)	\$	
Covered - employee payroll	\$ 1,144,549	\$ 1,099,799	\$ 141,394	\$ 2,046,348	\$ 1,744,550	\$ 113,664	\$	
Proportionate share of the net pension liability as percentage of covered-employee payroll	69.66%	59.01%	0.01%	66.79%	67.08%	-0.16%		
Plan's fiduciary net position	\$ 4,290,975	\$ 3,868,371	\$ 1,261	\$ 6,686,104	\$ 7,331,180	\$ 7,954	\$	
Plan's fiduciary net position as a percentage of the Total Pension Liability	81.42%	81.42%	99.4%	83.03%	86.23%	102.30%		

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

**CITY OF KERMAN**

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

	Safety		PEPRA Safety		Miscellaneous		PEPRA Miscellaneous	
	2015	2016	2016	2016	2015	2016	2016	2016
Contractually required contribution (actuarially determined)	\$ 172,707	\$ 169,401	\$ 13,031	\$ 139,800	\$ 149,116	\$ 139,800	\$ 7,359	
Contributions in relation to the actuarially determined contributions	(172,707)	(169,401)	(13,031)	(139,800)	(149,116)	(139,800)	(7,359)	
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 1,144,549	\$ 1,099,799	\$ 141,394	\$ 1,744,550	\$ 2,046,348	\$ 1,744,550	\$ 113,664	
Contributions as a percentage of covered-employee payroll	15.09%	15.40%	9.22%	8.01%	7.29%	8.01%	6.47%	

\*Fiscal year 2014-15 was the first year of implementation, therefore only two years are 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 to 2007
    - Retirement Age: 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 Actuaries
    - Mortality: 3.00%
    - Payroll Growth

**SUPPLEMENTAL ONLY INFORMATION**

---

**CITY OF KERMAN**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Special Revenue Funds						Debt	
	Measure C	Gas Tax	Senior Center	Maintenance District	Transit	Park Grants	Service Fund	Kerman Public Financing Authority
<b>ASSETS</b>								
Cash and investments	\$ 24,598	\$ 448,414	\$ -	\$ 43,739	\$ -	\$ -	\$ -	\$ -
Due from other governments	31,616	-	2,000	-	17,747	11,860	-	-
Total assets	\$ 56,214	\$ 448,414	\$ 2,000	\$ 43,739	\$ 17,747	\$ 11,860	\$ -	\$ -
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable and accrued expense	\$ 9,860	\$ 16,982	\$ 727	\$ 7,377	\$ 5,236	\$ 1,190	\$ -	\$ -
Due to other funds	-	-	1,273	-	12,511	10,670	-	-
Total liabilities	9,860	16,982	2,000	7,377	17,747	11,860	-	-
<b>Fund Balance</b>								
Restricted								
Circulation improvements	46,354	431,432	-	-	-	-	-	-
Development activities	-	-	-	36,362	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	46,354	431,432	-	36,362	-	-	-	-
Total liabilities and fund balance	\$ 56,214	\$ 448,414	\$ 2,000	\$ 43,739	\$ 17,747	\$ 11,860	\$ -	\$ -

CITY OF KERMAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2016

	Capital Projects Funds							Total Non-major Governmental Funds
	Jobs/Housing Mitigation	Public Building Facility	Fire Facility	Street Projects & Development	Park Development	Street Maintenance & Construction	State Grants	
ASSETS								
Cash and investments	\$ 60,997	\$ -	\$ 281,586	\$ 492,499	\$ 114,412	\$ -	\$ -	\$ 1,466,245
Due from other governments	-	-	-	-	-	51,272	18,322	132,817
Total assets	\$ 60,997	\$ -	\$ 281,586	\$ 492,499	\$ 114,412	\$ 51,272	\$ 18,322	\$ 1,599,062
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ 349	\$ -	\$ 10,380	\$ 7,768	\$ 59,869
Due to other funds	-	113,002	-	-	-	40,892	6,884	185,232
Total liabilities	-	113,002	-	349	-	51,272	14,652	245,101
Fund Balance								
Restricted								
Circulation improvements	-	-	-	-	-	-	-	477,786
Development activities	60,997	-	281,586	492,150	114,412	-	3,670	989,177
Unassigned	-	(113,002)	-	-	-	-	-	(113,002)
Total fund balance	60,997	(113,002)	281,586	492,150	114,412	-	3,670	1,353,961
Total liabilities and fund balance	\$ 60,997	\$ -	\$ 281,586	\$ 492,499	\$ 114,412	\$ 51,272	\$ 18,322	\$ 1,599,062

**CITY OF KERMAN**

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

	Special Revenue Funds						Debt Service Fund
	Measure C	Gas Tax	Senior Center	Maintenance District	Transit	Park Grants	
<b>Revenue</b>							
Taxes	\$ -	\$ -	\$ -	\$ 212,770	\$ -	\$ -	\$ -
Developer impact fees	-	-	-	-	-	-	-
Intergovernmental	385,365	306,921	12,000	-	110,597	162,321	-
Charges for services	-	-	3,942	-	2,194	-	-
Rents	-	-	-	-	-	-	241,985
Interest	342	2,785	-	148	-	-	-
Other	-	-	-	-	-	-	-
Total revenue	<u>385,707</u>	<u>309,706</u>	<u>15,942</u>	<u>212,918</u>	<u>112,791</u>	<u>162,321</u>	<u>241,985</u>
<b>Expenditures</b>							
Public works	285,148	82,440	-	131,790	-	-	-
Community development	-	-	-	-	-	-	1,500
Social services	-	-	19,427	-	124,907	-	-
Capital outlay	5,793	36,433	-	-	-	176,699	-
Debt service	-	-	-	-	-	-	-
Principal	-	8,228	-	-	-	-	90,000
Interest and fiscal charges	-	1,837	-	-	-	-	150,485
Total expenditures	<u>290,941</u>	<u>128,938</u>	<u>19,427</u>	<u>131,790</u>	<u>124,907</u>	<u>176,699</u>	<u>241,985</u>
Revenue over (under) expenditures	94,766	180,768	(3,485)	81,128	(12,116)	(14,378)	-
<b>Other financing sources/(uses)</b>							
Operating transfers in/(out) - net	(70,855)	4,918	3,485	(32,878)	15,558	-	-
	<u>(70,855)</u>	<u>4,918</u>	<u>3,485</u>	<u>(32,878)</u>	<u>15,558</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	23,911	185,686	-	48,250	3,442	(14,378)	-
<b>Fund Balance</b>							
Beginning of year	22,443	245,746	-	(11,888)	(3,442)	14,378	-
End of year	<u>\$ 46,354</u>	<u>\$ 431,432</u>	<u>\$ -</u>	<u>\$ 36,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KERMAN**

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

	Capital Projects Funds							Total
	Jobs/Housing Mitigation	Public Building Facility	Fire Facility	Street Projects & Development	Park Development	Street Maintenance & Construction	State Grants	
<b>Revenue</b>	\$	\$	\$	\$	\$	\$	\$	\$
Taxes	-	-	-	-	-	-	-	-
Developer impact fees	1,850	83,973	31,957	154,254	146,960	-	-	391,607
Intergovernmental	-	-	-	-	-	62,401	31,241	418,994
Charges for services	-	-	-	-	-	-	-	892,009
Rents	-	-	-	-	-	-	-	6,136
Interest	490	-	2,161	5,197	602	-	-	241,985
Other	-	-	-	-	-	-	-	11,725
Total revenue	2,340	83,973	34,118	159,451	147,562	62,401	31,241	1,962,456
<b>Expenditures</b>								
Public works	-	-	-	-	-	-	-	499,378
Community development	-	51,434	-	51,464	-	-	-	104,398
Social services	-	-	-	-	60,859	-	-	205,193
Capital outlay	-	7,474	-	12,347	-	62,401	-	301,147
Debt service	-	-	-	-	-	-	-	98,228
Principal	-	-	-	-	-	-	-	152,322
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	-	58,908	-	63,811	60,859	62,401	-	1,360,666
Revenue over (under) expenditures	2,340	25,065	34,118	95,640	86,703	-	31,241	601,790
<b>Other financing sources/(uses)</b>								
Operating transfers in/(out) - net	-	-	-	-	-	-	(31,241)	(111,013)
	-	-	-	-	-	-	(31,241)	(111,013)
<b>Change in Fund Balance</b>	2,340	25,065	34,118	95,640	86,703	-	-	490,777
<b>Fund Balance</b>								
Beginning of year	58,657	(138,067)	247,468	396,510	27,709	-	3,670	863,184
End of year	60,997	(113,002)	281,586	492,150	114,412	-	3,670	1,353,961

**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 Kerman, 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 Kerman, 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 August 29, 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

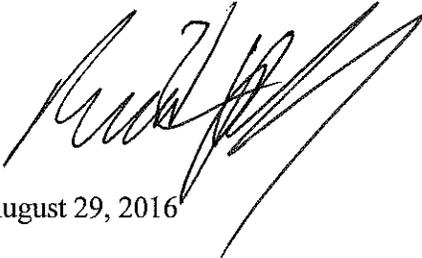
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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.

A handwritten signature in black ink, appearing to be 'Auditor', written in a cursive style.

August 29, 2016

**CITY OF KERMAN**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

## TABLE OF CONTENTS

---

	<u>Page</u>
Introduction	1
Required Communications	2 - 4

To the Honorable Mayor and City Council  
City of Kerman, California

We have audited the financial statements of the City of Kerman, California (City) for the year ended June 30, 2016, and have issued our report thereon dated August 29, 2016. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles of the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal controls of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements.

We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance and consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the District. We evaluated the key factors and assumptions used by management in computing depreciation expense and believe that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability and related deferrals is based on actuarial valuations which include significant assumptions regarding discount rate, inflation, payroll growth, projected salary increases and investment rate of return. We evaluated the key factors and assumptions used to develop the liability and related deferrals in determining that it is reasonable in relation to the financial statements taken as a whole.

### Corrected and Uncorrected Misstatements

For purposes of this letter, professional standards define significant audit adjustments as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We did not identify any significant audit adjustments.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. Our professional standards require a consulting accountant to check with us if a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements. This is to ensure that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

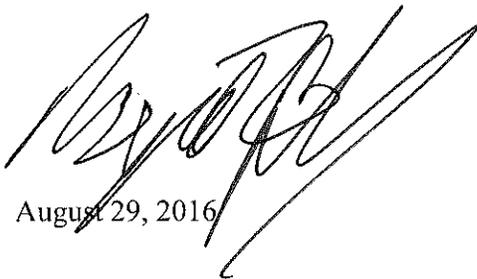
### Management Representations

We have requested certain representations from management that are included in the management representation letter.

### Other Audit Findings and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

A large, stylized handwritten signature in black ink, appearing to be 'A. J. [unclear]', is written over the date.

August 29, 2016



# City of Kerman

*"Where Community Comes First"*

MAYOR  
Stephen B. Hill

MAYOR PRO-TEM  
Gary Yep

COUNCIL MEMBER  
Rhonda Armstrong

COUNCIL MEMBER  
Kevin Nehring

COUNCIL MEMBER  
Bill Nijjer

DEPARTMENT: CITY CLERK  
STAFF REPORT  
CITY COUNCIL MEETING  
COUNCIL MEETING DATE: OCTOBER 5, 2016

To: Mayor and City Council  
From: Marci Reyes, City Clerk  
Subject: Resolution Adopting Amendments to the Conflict of Interest Code

## RECOMMENDATION

Council by motion adopt resolution amending the Conflict of Interest Code and accept the 2016 Local Agency Biennial Notice

## EXECUTIVE SUMMARY

The Political Reform Act requires local agencies to conduct a review of the code every two years. The City has conducted a biennial review of its Conflict of Interest Code and does see a need for an amendment. A 2016 Local Agency Biennial Notice must be submitted to the City Council as the code reviewing body.

## OUTSTANDING ISSUES

None.

## DISCUSSION

The City of Kerman adopted Conflict of Interest Codes in compliance with the Political Reform Act. Pursuant Government Code Section 87300. The City Council is required every even numbered year to review its Biennial Conflict of Interest Code list of designated positions for changes.

The current code is more than five years old, and staff is recommending it be updated.

## FISCAL IMPACT

None.

## PUBLIC HEARING

None required.

Attachments:

- A. Resolution w/Exhibits
- B. 2016 Biennial Notice

Attachment 'A'

RESOLUTION NO. 16-\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KERMAN  
ADOPTING AMENDMENTS TO THE CONFLICT OF INTEREST CODE

WHEREAS, the Political Reform Act (Government Code Section 81000 et seq.) requires local government agencies to adopt and promulgate conflict of interest codes, and to conduct a biennial review and revise them if necessary; and

WHEREAS, the Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code of Regs. 18730) which contains the terms of a standard conflict of interest code which may be incorporated by reference in an agency's code, and which may be amended by the FPPC to conform to amendments in the Political Reform Act, following public notice and hearings; and

WHEREAS, the terms of 2 Cal. Code of Regs. 18730 and any amendment to it duly adopted by the FPPC have previously been incorporated by reference in Resolution 76-64, which, together with the list of designated positions and disclosure categories adopted from time to time by the City Council constitutes the Conflict of Interest Code for the City of Kerman; and

WHEREAS, the City has conducted its biennial review of the current Conflict of Interest Code which the City last reviewed in 2014 pursuant to Government Code Section 87300; and

WHEREAS, the City has determined amendments to the Code are necessary in accordance with the applicable laws, regulations, and guidelines;

NOW, THEREFORE, BE IT RESOLVED THAT, having undertaken its biennial review of the City's Conflict of Interest Code, the City Council hereby confirms that an amendment to the Code is required at this time and accepts the updated 2016 Local Agency Biennial Notice enclosed herein as Exhibit 'A'.

The foregoing resolution was approved and adopted by the City Council of the City of Kerman at a regular meeting held on the 5th day of October, 2016, by the following vote:

- AYES:
- NAYS:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
 Stephen B. Hill  
 Mayor

ATTEST:

\_\_\_\_\_  
 Marci Reyes  
 City Clerk

Exhibit 'A'

**CONFLICT OF INTEREST CODE FOR  
CITY OF KERMAN**

A. Purpose and Intent.

The City Council hereby intends to implement Government Code Section 87300 through 87313 pertaining to conflict of interest codes for local agencies.

B. Conflict of Interest Code.

The Political Reform Act (Government Code Sections 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict-of-interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Section 18730) that contains the terms of a standard conflict-of-interest code and may be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices designating positions and establishing disclosure requirements shall constitute the conflict-of-interest code of the City of San Joaquin.

Individuals holding designated positions shall file their statements with the City Clerk. The original Form 700s for the Mayor, City Councilmembers, City Manager, City Attorney, and Finance Director/City Treasurer, will be forwarded to the FPCC which shall be the filing officer and a copy will be retained by the City. All other original Form 700s filed by the designated positions will remain with the City. The City Clerk will make the original statements and the copies retained available for public inspection and reproduction. (Gov. Code Section 81008.)

The designated positions are set forth in Appendix A. Said Appendix A is incorporated by reference to this Conflict of Interest Code. The Disclosure Categories are set forth in Appendix B which is incorporated by reference to this Conflict of Interest Code.

C. Prior Conflicts of Interest Codes Superseded.

The provisions of all Conflict of Interest Codes and amendments thereto previously adopted by the City are hereby superseded and have no further force and effect.

D. Effective Date.

This Conflict of Interest Code is deemed effective on October 5, 2016.

E. Appendices.

Appendix A, Appendix B, and Appendix C are incorporated herein by reference and deemed a part of this Conflict of Interest Code. It must be noted that Appendix C is attached for convenience only. The reader should note that Appendix C is the current version of regulation Section 18730 as set forth in Section B above. As stated, the FPPC may from time to time amend Section 18730 and for that reason, the FPPC website should be reviewed by persons in designated positions.

---

---

## **APPENDIX A TO CONFLICT OF INTEREST CODE DESIGNATED POSITIONS**

<u>Designated Positions</u>	<u>Disclosure Categories</u>
• Mayor	1,2,3,4,5,6
• City Council Members	1,2,3,4,5,6
• City Manager	1,2,3,4,5,6
• Finance Director/City Treasurer	1,2,3,4,5,6
• City Clerk	1,2,3,4,5,6
• City Attorney	1,2,3,4,5,6
• Public Works Director	1,2,3,4,5,6
• Chief of Police	1,2,3,4,5,6
• Community Services Director	1,2,3,4,5,6
• Consultants	*

\* Consultants shall be included in the list of designated positions and shall disclose pursuant to the disclosure requirements in this code subject to the following limitation:

The City Manager may determine in writing that a particular consultant, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements in this section. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The City Manager’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Sec. 81008.)

---

---

## **APPENDIX B TO CONFLICT OF INTEREST CODE DISCLOSURE CATEGORIES**

Individuals holding designated positions must report their interests according to their assigned disclosure category (ies).

### Disclosure Category 1

Interests in real property located within the jurisdiction or within two miles of the boundaries of the jurisdiction or within two miles of any land owned or used by the agency; and investments and business positions in business entities, and income, including loans, gifts, and travel payments, from all sources.

### Disclosure Category 2

Interests in real property located within the jurisdiction or within two miles of the boundaries of the jurisdiction or within two miles of any land owned or used by the agency.

### Disclosure Category 3

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that provide services, supplies, materials, machinery, or equipment of the type utilized by the agency.

### Disclosure Category 4

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that provide services, supplies, materials, machinery, or equipment of the type utilized by the designated position's division or department.

### Disclosure Category 5

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that filed a claim against the agency during the previous two years, or have a claim pending.

### Disclosure Category 6

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources of the type to request an entitlement to use agency property or facilities, including, but not limited to:

- a license
- utility permit
- station vendor permit.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

**§ 18730. Provisions of Conflict of Interest Codes.**

(a) Incorporation by reference of the terms of this regulation along with the designation of employees and the formulation of disclosure categories in the Appendix referred to below constitute the adoption and promulgation of a conflict of interest code within the meaning of Section 87300 or the amendment of a conflict of interest code within the meaning of Section 87306 if the terms of this regulation are substituted for terms of a conflict of interest code already in effect. A code so amended or adopted and promulgated requires the reporting of reportable items in a manner substantially equivalent to the requirements of article 2 of chapter 7 of the Political Reform Act, Sections 81000, et seq . The requirements of a conflict of interest code are in addition to other requirements of the Political Reform Act, such as the general prohibition against conflicts of interest contained in Section 87100, and to other state or local laws pertaining to conflicts of interest.

(b) The terms of a conflict of interest code amended or adopted and promulgated pursuant to this regulation are as follows:

(1) Section 1. Definitions.

The definitions contained in the Political Reform Act of 1974, regulations of the Fair Political Practices Commission (Regulations 18110, et seq.), and any amendments to the Act or regulations, are incorporated by reference into this conflict of interest code.

(2) Section 2. Designated Employees.

The persons holding positions listed in the Appendix are designated employees. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests.

(3) Section 3. Disclosure Categories.

This code does not establish any disclosure obligation for those designated employees who are also specified in Section 87200 if they are designated in this code in that same capacity or if the geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction in which those persons must report their economic interests pursuant to article 2 of chapter 7 of the Political Reform Act, Sections 87200, et seq .

In addition, this code does not establish any disclosure obligation for any designated employees who are designated in a conflict of interest code for another agency, if all of the following apply:

(A) The geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction of the other agency;

(B) The disclosure assigned in the code of the other agency is the same as that required under article 2 of chapter 7 of the Political Reform Act, Section 87200; and

(C) The filing officer is the same for both agencies.<sup>1</sup>

Such persons are covered by this code for disqualification purposes only. With respect to all other designated employees, the disclosure categories set forth in the Appendix specify which kinds of economic interests are reportable. Such a designated employee shall disclose in his or her statement of economic interests those economic interests he or she has which are of the kind described in the disclosure categories to which he or she is assigned in the Appendix. It has been determined that the economic interests set forth in a designated employee's disclosure categories

are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office.

(4) Section 4. Statements of Economic Interests: Place of Filing.

The code reviewing body shall instruct all designated employees within its code to file statements of economic interests with the agency or with the code reviewing body, as provided by the code reviewing body in the agency's conflict of interest code.<sup>2</sup>

(5) Section 5. Statements of Economic Interests: Time of Filing.

(A) Initial Statements. All designated employees employed by the agency on the effective date of this code, as originally adopted, promulgated and approved by the code reviewing body, shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an initial statement within 30 days after the effective date of the amendment.

(B) Assuming Office Statements. All persons assuming designated positions after the effective date of this code shall file statements within 30 days after assuming the designated positions, or if subject to State Senate confirmation, 30 days after being nominated or appointed.

(C) Annual Statements. All designated employees shall file statements no later than April 1. If a person reports for military service as defined in the Servicemember's Civil Relief Act, the deadline for the annual statement of economic interests is 30 days following his or her return to office, provided the person, or someone authorized to represent the person's interests, notifies the filing officer in writing prior to the applicable filing deadline that he or she is subject to that federal statute and is unable to meet the applicable deadline, and provides the filing officer verification of his or her military status.

(D) Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

(5.5) Section 5.5. Statements for Persons Who Resign Prior to Assuming Office.

Any person who resigns within 12 months of initial appointment, or within 30 days of the date of notice provided by the filing officer to file an assuming office statement, is not deemed to have assumed office or left office, provided he or she did not make or participate in the making of, or use his or her position to influence any decision and did not receive or become entitled to receive any form of payment as a result of his or her appointment. Such persons shall not file either an assuming or leaving office statement.

(A) Any person who resigns a position within 30 days of the date of a notice from the filing officer shall do both of the following:

(1) File a written resignation with the appointing power; and

(2) File a written statement with the filing officer declaring under penalty of perjury that during the period between appointment and resignation he or she did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.

(6) Section 6. Contents of and Period Covered by Statements of Economic Interests.

(A) Contents of Initial Statements.

Initial statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the code and income received during the 12 months prior to the effective date of the code.

(B) Contents of Assuming Office Statements.

Assuming office statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office or, if subject to State Senate confirmation or appointment, on the date of nomination, and income received during the 12 months prior to the date of assuming office or the date of being appointed or nominated, respectively.

(C) Contents of Annual Statements. Annual statements shall disclose any reportable investments, interests in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first annual statement shall begin on the effective date of the code or the date of assuming office whichever is later, or for a board or commission member subject to Section 87302.6, the day after the closing date of the most recent statement filed by the member pursuant to Regulation 18754.

(D) Contents of Leaving Office Statements.

Leaving office statements shall disclose reportable investments, interests in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office.

(7) Section 7. Manner of Reporting.

Statements of economic interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the agency, and shall contain the following information:

(A) Investment and Real Property Disclosure.

When an investment or an interest in real property<sup>3</sup> is required to be reported,<sup>4</sup> the statement shall contain the following:

1. A statement of the nature of the investment or interest;

2. The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
3. The address or other precise location of the real property;
4. A statement whether the fair market value of the investment or interest in real property equals or exceeds \$2,000, exceeds \$10,000, exceeds \$100,000, or exceeds \$1,000,000.

(B) Personal Income Disclosure. When personal income is required to be reported,<sup>5</sup> the statement shall contain:

1. The name and address of each source of income aggregating \$500 or more in value, or \$50 or more in value if the income was a gift, and a general description of the business activity, if any, of each source;

2. A statement whether the aggregate value of income from each source, or in the case of a loan, the highest amount owed to each source, was \$1,000 or less, greater than \$1,000, greater than \$10,000, or greater than \$100,000;

3. A description of the consideration, if any, for which the income was received;

4. In the case of a gift, the name, address and business activity of the donor and any intermediary through which the gift was made; a description of the gift; the amount or value of the gift; and the date on which the gift was received;

5. In the case of a loan, the annual interest rate and the security, if any, given for the loan and the term of the loan.

(C) Business Entity Income Disclosure. When income of a business entity, including income of a sole proprietorship, is required to be reported,<sup>6</sup> the statement shall contain:

1. The name, address, and a general description of the business activity of the business entity;

2. The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such person was equal to or greater than \$10,000.

(D) Business Position Disclosure. When business positions are required to be reported, a designated employee shall list the name and address of each business entity in which he or she is a director, officer, partner, trustee, employee, or in which he or she holds any position of management, a description of the business activity in which the business entity is engaged, and the designated employee's position with the business entity.

(E) Acquisition or Disposal During Reporting Period. In the case of an annual or leaving office statement, if an investment or an interest in real property was partially or wholly acquired or disposed of during the period covered by the statement, the statement shall contain the date of acquisition or disposal.

(8) Section 8. Prohibition on Receipt of Honoraria.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept any honorarium from any source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (a), (b), and (c) of Section 89501 shall apply to the prohibitions in this section.

This section shall not limit or prohibit payments, advances, or reimbursements for travel and related lodging and subsistence authorized by Section 89506.

(8.1) Section 8.1. Prohibition on Receipt of Gifts in Excess of \$460.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept gifts with a total value of more than \$460 in a calendar year from any single source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (e), (f), and (g) of Section 89503 shall apply to the prohibitions in this section.

(8.2) Section 8.2. Loans to Public Officials.

(A) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the elected officer holds office or over which the elected officer's agency has direction and control.

(B) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the public official holds office or over which the public official's agency has direction and control. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(C) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected

officer has been elected or over which that elected officer's agency has direction and control.

This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status.

(D) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected officer has been elected or over which that elected officer's agency has direction and control. This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(E) This section shall not apply to the following:

1. Loans made to the campaign committee of an elected officer or candidate for elective office.

2. Loans made by a public official's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such persons, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans from a person which, in the aggregate, do not exceed \$500 at any given time.

4. Loans made, or offered in writing, before January 1, 1998.

(8.3) Section 8.3. Loan Terms.

(A) Except as set forth in subdivision (B), no elected officer of a state or local government agency shall, from the date of his or her election to office through the date he or she vacates office, receive a personal loan of \$500 or more, except when the loan is in writing and clearly states the terms of the loan, including the parties to the loan agreement, date of the loan, amount of the loan, term of the loan, date or dates when payments shall be due on the loan and the amount of the payments, and the rate of interest paid on the loan.

(B) This section shall not apply to the following types of loans:

1. Loans made to the campaign committee of the elected officer.

2. Loans made to the elected officer by his or her spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans made, or offered in writing, before January 1, 1998.

(C) Nothing in this section shall exempt any person from any other provision of Title 9 of the Government Code.

(8.4) Section 8.4. Personal Loans.

(A) Except as set forth in subdivision (B), a personal loan received by any designated employee shall become a gift to the designated employee for the purposes of this section in the following circumstances:

1. If the loan has a defined date or dates for repayment, when the statute of limitations for filing an action for default has expired.

2. If the loan has no defined date or dates for repayment, when one year has elapsed from the later of the following:

a. The date the loan was made.

b. The date the last payment of \$100 or more was made on the loan.

c. The date upon which the debtor has made payments on the loan aggregating to less than \$250 during the previous 12 months.

(B) This section shall not apply to the following types of loans:

1. A loan made to the campaign committee of an elected officer or a candidate for elective office.

2. A loan that would otherwise not be a gift as defined in this title.

3. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor has taken reasonable action to collect the balance due.

4. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor, based on reasonable business considerations, has not undertaken collection action.

Except in a criminal action, a creditor who claims that a loan is not a gift on the basis of this paragraph has the burden of proving that the decision for not taking collection action was based on reasonable business considerations.

5. A loan made to a debtor who has filed for bankruptcy and the loan is ultimately discharged in bankruptcy.

(C) Nothing in this section shall exempt any person from any other provisions of Title 9 of the Government Code.

(9) Section 9. Disqualification.

No designated employee shall make, participate in making, or in any way attempt to use his or her official position to influence the making of any governmental decision which he or she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on:

(A) Any business entity in which the designated employee has a direct or indirect investment worth \$2,000 or more;

(B) Any real property in which the designated employee has a direct or indirect interest worth \$2,000 or more;

(C) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided to, received by or promised to the designated employee within 12 months prior to the time when the decision is made;

(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management; or

(E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating \$460 or more provided to, received by, or promised to the designated employee within 12 months prior to the time when the decision is made.

(9.3) Section 9.3. Legally Required Participation.

No designated employee shall be prevented from making or participating in the making of any decision to the extent his or her participation is legally required for the decision to be

made. The fact that the vote of a designated employee who is on a voting body is needed to break a tie does not make his or her participation legally required for purposes of this section.

(9.5) Section 9.5. Disqualification of State Officers and Employees.

In addition to the general disqualification provisions of section 9, no state administrative official shall make, participate in making, or use his or her official position to influence any governmental decision directly relating to any contract where the state administrative official knows or has reason to know that any party to the contract is a person with whom the state administrative official, or any member of his or her immediate family has, within 12 months prior to the time when the official action is to be taken:

(A) Engaged in a business transaction or transactions on terms not available to members of the public, regarding any investment or interest in real property; or

(B) Engaged in a business transaction or transactions on terms not available to members of the public regarding the rendering of goods or services totaling in value \$1,000 or more.

(10) Section 10. Disclosure of Disqualifying Interest.

When a designated employee determines that he or she should not make a governmental decision because he or she has a disqualifying interest in it, the determination not to act may be accompanied by disclosure of the disqualifying interest.

(11) Section 11. Assistance of the Commission and Counsel.

Any designated employee who is unsure of his or her duties under this code may request assistance from the Fair Political Practices Commission pursuant to Section 83114 and Regulations 18329 and 18329.5 or from the attorney for his or her agency, provided that nothing in this section requires the attorney for the agency to issue any formal or informal opinion.

(12) Section 12. Violations.

This code has the force and effect of law. Designated employees violating any provision of this code are subject to the administrative, criminal and civil sanctions provided in the Political Reform Act, Sections 81000-91014. In addition, a decision in relation to which a violation of the disqualification provisions of this code or of Section 87100 or 87450 has occurred may be set aside as void pursuant to Section 91003.

---

<sup>1</sup> Designated employees who are required to file statements of economic interests under any other agency's conflict of interest code, or under article 2 for a different jurisdiction, may expand their statement of economic interests to cover reportable interests in both jurisdictions, and file copies of this expanded statement with both entities in lieu of filing separate and distinct statements, provided that each copy of such expanded statement filed in place of an original is signed and verified by the designated employee as if it were an original. See Section 81004.

<sup>2</sup> See Section 81010 and Regulation 18115 for the duties of filing officers and persons in agencies who make and retain copies of statements and forward the originals to the filing officer.

<sup>3</sup> For the purpose of disclosure only (not disqualification), an interest in real property does not include the principal residence of the filer.

<sup>4</sup> Investments and interests in real property which have a fair market value of less than \$2,000 are not investments and interests in real property within the meaning of the Political Reform Act. However, investments or interests in real property of an individual include those held by the individual's spouse and dependent children as well as a pro rata share of any investment or interest in real property of any business entity or trust in which the individual, spouse and

dependent children own, in the aggregate, a direct, indirect or beneficial interest of 10 percent or greater.

<sup>5</sup> A designated employee's income includes his or her community property interest in the income of his or her spouse but does not include salary or reimbursement for expenses received from a state, local or federal government agency.

<sup>6</sup> Income of a business entity is reportable if the direct, indirect or beneficial interest of the filer and the filer's spouse in the business entity aggregates a 10 percent or greater interest. In addition, the disclosure of persons who are clients or customers of a business entity is required only if the clients or customers are within one of the disclosure categories of the filer.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87103(e), 87300-87302, 89501, 89502 and 89503, Government Code.

#### HISTORY

1. New section filed 4-2-80 as an emergency; effective upon filing (Register 80, No. 14).  
Certificate of Compliance included.
  2. Editorial correction (Register 80, No. 29).
  3. Amendment of subsection (b) filed 1-9-81; effective thirtieth day thereafter (Register 81, No. 2).
  4. Amendment of subsection (b)(7)(B)1. filed 1-26-83; effective thirtieth day thereafter (Register 83, No. 5).
  5. Amendment of subsection (b)(7)(A) filed 11-10-83; effective thirtieth day thereafter (Register 83, No. 46).
  6. Amendment filed 4-13-87; operative 5-13-87 (Register 87, No. 16).
-

7. Amendment of subsection (b) filed 10-21-88; operative 11-20-88 (Register 88, No. 46).
8. Amendment of subsections (b)(8)(A) and (b)(8)(B) and numerous editorial changes filed 8-28-90; operative 9-27-90 (Reg. 90, No. 42).
9. Amendment of subsections (b)(3), (b)(8) and renumbering of following subsections and amendment of Note filed 8-7-92; operative 9-7-92 (Register 92, No. 32).
10. Amendment of subsection (b)(5.5) and new subsections (b)(5.5)(A)-(A)(2) filed 2-4-93; operative 2-4-93 (Register 93, No. 6).
11. Change without regulatory effect adopting Conflict of Interest Code for California Mental Health Planning Council filed 11-22-93 pursuant to title 1, section 100, California Code of Regulations (Register 93, No. 48). Approved by Fair Political Practices Commission 9-21-93.
12. Change without regulatory effect redesignating Conflict of Interest Code for California Mental Health Planning Council as chapter 62, section 55100 filed 1-4-94 pursuant to title 1, section 100, California Code of Regulations (Register 94, No. 1).
13. Editorial correction adding History 11 and 12 and deleting duplicate section number (Register 94, No. 17).
14. Amendment of subsection (b)(8), designation of subsection (b)(8)(A), new subsection (b)(8)(B), and amendment of subsections (b)(8.1)-(b)(8.1)(B), (b)(9)(E) and Note filed 3-14-95; operative 3-14-95 pursuant to Government Code section 11343.4(d) (Register 95, No. 11).
15. Editorial correction inserting inadvertently omitted language in footnote 4 (Register 96, No. 13).

16. Amendment of subsections (b)(8)(A)-(B) and (b)(8.1)(A), repealer of subsection (b)(8.1)(B), and amendment of subsection (b)(12) filed 10-23-96; operative 10-23-96 pursuant to Government Code section 11343.4(d) (Register 96, No. 43).
17. Amendment of subsections (b)(8.1) and (9)(E) filed 4-9-97; operative 4-9-97 pursuant to Government Code section 11343.4(d) (Register 97, No. 15).
18. Amendment of subsections (b)(7)(B)5., new subsections (b)(8.2)-(b)(8.4)(C) and amendment of Note filed 8-24-98; operative 8-24-98 pursuant to Government Code section 11343.4(d) (Register 98, No. 35).
19. Editorial correction of subsection (a) (Register 98, No. 47).
20. Amendment of subsections (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 5-11-99; operative 5-11-99 pursuant to Government Code section 11343.4(d) (Register 99, No. 20).
21. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 12-6-2000; operative 1-1-2001 pursuant to the 1974 version of Government Code section 11380.2 and Title 2, California Code of Regulations, section 18312(d) and (e) (Register 2000, No. 49).
22. Amendment of subsections (b)(3) and (b)(10) filed 1-10-2001; operative 2-1-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 2).
23. Amendment of subsections (b)(7)(A)4., (b)(7)(B)1.-2., (b)(8.2)(E)3., (b)(9)(A)-(C) and footnote 4. filed 2-13-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third

Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 7).

24. Amendment of subsections (b)(8.1)-(b)(8.1)(A) filed 1-16-2003; operative 1-1-2003.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2003, No. 3).

25. Editorial correction of History 24 (Register 2003, No. 12).

26. Editorial correction removing extraneous phrase in subsection (b)(9.5)(B) (Register 2004, No. 33).

27. Amendment of subsections (b)(2)-(3), (b)(3)(C), (b)(6)(C), (b)(8.1)-(b)(8.1)(A), (b)(9)(E) and (b)(11)-(12) filed 1-4-2005; operative 1-1-2005 pursuant to Government Code section 11343.4 (Register 2005, No. 1).

28. Amendment of subsection (b)(7)(A)4. filed 10-11-2005; operative 11-10-2005 (Register 2005, No. 41).

29. Amendment of subsections (a), (b)(1), (b)(3), (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 12-18-2006; operative 1-1-2007. Submitted to OAL pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2006, No. 51).

30. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 10-31-2008; operative 11-30-2008. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate

District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2008, No. 44).

31. Amendment of section heading and section filed 11-15-2010; operative 12-15-2010.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2010, No. 47).

32. Amendment of section heading and subsections (a)-(b)(1), (b)(3)-(4), (b)(5)(C), (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) and amendment of footnote 1 filed 1-8-2013; operative 2-7-2013. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2013, No. 2).

33. Amendment of subsections (b)(8.1)-(b)(8.1)(A), (b)(8.2)(E)3. and (b)(9)(E) filed 12-15-2014; operative 1-1-2015 pursuant to section 18312(e)(1)(A), title 2, California Code of Regulations. Submitted to OAL for filing and printing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2014, No. 51).

## 2016 Local Agency Biennial Notice

Name of Agency: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone No. \_\_\_\_\_

Email: \_\_\_\_\_ Alternate Email: \_\_\_\_\_

**Accurate disclosure is essential to monitor whether officials have conflicts of interest and to help ensure public trust in government. The biennial review examines current programs to ensure that the agency's code includes disclosure by those agency officials who make or participate in making governmental decisions.**

This agency has reviewed its conflict of interest code and has determined that *(check one BOX)*:

**An amendment is required. The following amendments are necessary:**

*(Check all that apply.)*

- Include new positions
- Revise disclosure categories
- Revise the titles of existing positions
- Delete titles of positions that have been abolished and/or positions that no longer make or participate in making governmental decisions
- Other *(describe)* \_\_\_\_\_

**The code is currently under review by the code reviewing body.**

**No amendment is required.** (If your code is over five years old, amendments may be necessary.)

**Verification (to be completed if no amendment is required)**

*This agency's code accurately designates all positions that make or participate in the making of governmental decisions. The disclosure assigned to those positions accurately requires that all investments, business positions, interests in real property, and sources of income that may foreseeably be affected materially by the decisions made by those holding designated positions are reported. The code includes all other provisions required by Government Code Section 87302.*

\_\_\_\_\_  
*Signature of Chief Executive Officer*

\_\_\_\_\_  
*Date*

All agencies must complete and return this notice regardless of how recently your code was approved or amended. Please return this notice no later than **October 3, 2016**, or by the date specified by your agency, if earlier, to:

*(PLACE RETURN ADDRESS OF CODE REVIEWING BODY HERE)*

**PLEASE DO NOT RETURN THIS FORM TO THE FPPC.**

## Table of Contents

Agenda . . . . .	2
Minutes	
June 15, 2016. . . . .	3
Resolution Adopting Amendments to the Conflict of Interest Code	
Staff Report - Conflict of Interest Code . . . . .	4
Conflict of Interest. . . . .	10



**AGENDA**  
**PUBLIC FINANCE AUTHORITY**  
**REGULAR MEETING**  
**Kerman City Hall**  
**850 S. Madera Avenue**  
**Wednesday, October 5, 2016**  
**6:30 PM**

AGENDA PACKET AVAILABLE FOR  
REVIEW 72 HOURS PRIOR TO  
THE AGENCY MEETING AT  
THE CITY CLERK'S OFFICE AND  
ON THE CITY WEBSITE  
ITEMS RECEIVED AT THE  
MEETING WILL BE AVAILABLE  
FOR REVIEW AT THE CITY  
CLERK'S OFFICE

CHAIRMAN  
Stephen Hill  
BOARD MEMBERS  
Rhonda Armstrong    Kevin Nehring  
Bill Nijjer             Gary Yep

---

**CALL TO ORDER**

1. AGENDA APPROVAL
2. CONSENT CALENDAR
  - A. MINUTES

RECOMMENDATION: Members approve minutes as presented.

ATTACHMENTS: [June 15, 2016](#)

3. ORDER OF BUSINESS
  - A. Resolution Adopting Amendments to the Conflict of Interest Code [MR ]

RECOMMENDATION: Board by motion adopt resolution amending the Conflict of Interest Code and accept the 2016 Local Agency Biennial Notice

ATTACHMENTS: [Staff Report - Conflict of Interest Code](#)

4. ADJOURNMENT



**MINUTES**  
**PUBLIC FINANCE AUTHORITY**  
**REGULAR MEETING**  
**Kerman City Hall**  
**850 S. Madera Avenue**  
**Wednesday, June 15, 2016**  
**6:30 PM**

AGENDA PACKET AVAILABLE FOR  
REVIEW 72 HOURS PRIOR TO  
THE AGENCY MEETING AT  
THE CITY CLERK'S OFFICE AND  
ON THE CITY WEBSITE  
ITEMS RECEIVED AT THE  
MEETING WILL BE AVAILABLE  
FOR REVIEW AT THE CITY  
CLERK'S OFFICE

CHAIRMAN  
Stephen B. Hill  
BOARD MEMBERS  
Rhonda Armstrong    Kevin Nehring  
Bill Nijjer            Gary Yep

**CALL TO ORDER**

**1. AGENDA APPROVAL**

**2. CONSENT CALENDAR**

**A. MINUTES - June 17, 2015**

RECOMMENDATION: Members approve minutes as presented.

**3. ORDER OF BUSINESS**

**A. Resolution Adopting the Public Finance Authority (PFA) Fiscal Year  
2016/2017 Budget [TJ]**

RECOMMENDATION: Board to approve resolution adopting the Kerman  
Public Finance Authority budget

**4. ADJOURNMENT**

9:25 p.m.  
All present except GY  
Approved RA/BN  
(4-0-1) GY  
  
Approved RA/BN  
(4-0-1) GY  
  
  
  
Approved KN/RA  
(4-0-1) GY  
  
Res 16-01  
  
  
  
9:29 p.m. Adjourned  
KN/RA (4-0-1) GY



# City of Kerman

*"Where Community Comes First"*

CHAIRMAN  
Stephen B. Hill

BOARD MEMBER  
Gary Yep

BOARD MEMBER  
Rhonda Armstrong

BOARD MEMBER  
Kevin Nehring

BOARD MEMBER  
Bill Nijjer

DEPARTMENT: CITY CLERK  
STAFF REPORT  
PUBLIC FINANCE AUTHORITY MEETING  
MEETING DATE: OCTOBER 5, 2016

To: Mayor and Board Members  
From: Marci Reyes, Secretary  
Subject: Resolution Adopting Amendments to the Conflict of Interest Code

## RECOMMENDATION

Board by motion adopt resolution amending the Conflict of Interest Code and accept the 2016 Local Agency Biennial Notice.

## EXECUTIVE SUMMARY

The Political Reform Act requires local agencies to conduct a review of the code every two years. The Public Finance Authority has conducted a biennial review of its Conflict of Interest Code and does see a need for an amendment.

## OUTSTANDING ISSUES

None.

## DISCUSSION

The City of Kerman adopted Conflict of Interest Codes in compliance with the Political Reform Act. Pursuant Government Code Section 87300. The Public Finance Authority is required every even numbered year to review its Biennial Conflict of Interest Code list of designated positions for changes.

The current code is more than five years old, and staff is recommending it be updated.

## FISCAL IMPACT

None.

## PUBLIC HEARING

None required.

Attachments:

- A. Resolution w/Exhibits
- B. 2016 Biennial Notice

Attachment 'A'

RESOLUTION NO. 16-\_\_

A RESOLUTION OF THE PUBLIC FINANCE AUTHORITY OF THE CITY OF KERMAN  
ADOPTING AMENDMENTS TO THE CONFLICT OF INTEREST CODE

WHEREAS, the Political Reform Act (Government Code Section 81000 et seq.) requires local government agencies to adopt and promulgate conflict of interest codes, and to conduct a biennial review and revise them if necessary; and

WHEREAS, the Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code of Regs. 18730) which contains the terms of a standard conflict of interest code which may be incorporated by reference in an agency's code, and which may be amended by the FPPC to conform to amendments in the Political Reform Act, following public notice and hearings; and

WHEREAS, the terms of 2 Cal. Code of Regs. 18730 and any amendment to it duly adopted by the FPPC have previously been incorporated by reference in Resolution 76-64, which, together with the list of designated positions and disclosure categories adopted from time to time by the City Council constitutes the Conflict of Interest Code for the City of Kerman; and

WHEREAS, the PFA has conducted its biennial review of the current Conflict of Interest Code which the City last reviewed in 2014 pursuant to Government Code Section 87300; and

WHEREAS, the City has determined amendments to the Code are necessary in accordance with the applicable laws, regulations, and guidelines;

NOW, THEREFORE, BE IT RESOLVED THAT, having undertaken its biennial review of the Public Finance Authority's Conflict of Interest Code, the Board hereby confirms that an amendment to the Code is required at this time and accepts the updated 2016 Local Agency Biennial Notice enclosed herein as Exhibit 'A'.

The foregoing resolution was approved and adopted by the Public Finance Authority of the City of Kerman at a regular meeting held on the 5th day of October, 2016, by the following vote:

- AYES:
- NAYS:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Stephen B. Hill  
Chair

ATTEST:

\_\_\_\_\_  
Marci Reyes  
Secretary

Exhibit 'A'

**CONFLICT OF INTEREST CODE FOR  
PUBLIC FINANCE AUTHORITY OF CITY OF KERMAN**

A. Purpose and Intent.

The Public Finance Authority hereby intends to implement Government Code Section 87300 through 87313 pertaining to conflict of interest codes for local agencies.

B. Conflict of Interest Code.

The Political Reform Act (Government Code Sections 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict-of-interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Section 18730) that contains the terms of a standard conflict-of-interest code and may be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices designating positions and establishing disclosure requirements shall constitute the conflict-of-interest code of the City of San Joaquin.

Individuals holding designated positions shall file their statements with the City Clerk. The original Form 700s for the Mayor, City Councilmembers, City Manager, City Attorney, and Finance Director/City Treasurer, will be forwarded to the FPPC which shall be the filing officer and a copy will be retained by the City. All other original Form 700s filed by the designated positions will remain with the City. The City Clerk will make the original statements and the copies retained available for public inspection and reproduction. (Gov. Code Section 81008.)

The designated positions are set forth in Appendix A. Said Appendix A is incorporated by reference to this Conflict of Interest Code. The Disclosure Categories are set forth in Appendix B which is incorporated by reference to this Conflict of Interest Code.

C. Prior Conflicts of Interest Codes Superseded.

The provisions of all Conflict of Interest Codes and amendments thereto previously adopted by the City are hereby superseded and have no further force and effect.

D. Effective Date.

This Conflict of Interest Code is deemed effective on October 5, 2016.

E. Appendices.

Appendix A, Appendix B, and Appendix C are incorporated herein by reference and deemed a part of this Conflict of Interest Code. It must be noted that Appendix C is attached for convenience only. The reader should note that Appendix C is the current version of regulation Section 18730 as set forth in Section B above. As stated, the FPPC may from time to time amend Section 18730 and for that reason, the FPPC website should be reviewed by persons in designated positions.

---

---

## APPENDIX A TO CONFLICT OF INTEREST CODE DESIGNATED POSITIONS

<u>Designated Positions</u>	<u>Disclosure Categories</u>
• Mayor	1,2,3,4,5,6
• Board Members	1,2,3,4,5,6
• City Manager	1,2,3,4,5,6
• Finance Director/City Treasurer	1,2,3,4,5,6
• City Clerk	1,2,3,4,5,6
• City Attorney	1,2,3,4,5,6
• Consultants	*

\* Consultants shall be included in the list of designated positions and shall disclose pursuant to the disclosure requirements in this code subject to the following limitation:

The City Manager may determine in writing that a particular consultant, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements in this section. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The City Manager’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Sec. 81008.)

---

---

## **APPENDIX B TO CONFLICT OF INTEREST CODE DISCLOSURE CATEGORIES**

Individuals holding designated positions must report their interests according to their assigned disclosure category (ies).

### Disclosure Category 1

Interests in real property located within the jurisdiction or within two miles of the boundaries of the jurisdiction or within two miles of any land owned or used by the agency; and investments and business positions in business entities, and income, including loans, gifts, and travel payments, from all sources.

### Disclosure Category 2

Interests in real property located within the jurisdiction or within two miles of the boundaries of the jurisdiction or within two miles of any land owned or used by the agency.

### Disclosure Category 3

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that provide services, supplies, materials, machinery, or equipment of the type utilized by the agency.

### Disclosure Category 4

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that provide services, supplies, materials, machinery, or equipment of the type utilized by the designated position's division or department.

### Disclosure Category 5

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources, that filed a claim against the agency during the previous two years, or have a claim pending.

### Disclosure Category 6

Investments and business positions in business entities, and income, including loans, gifts, and travel payments, from sources of the type to request an entitlement to use agency property or facilities, including, but not limited to:

- a license
- utility permit
- station vendor permit.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

**§ 18730. Provisions of Conflict of Interest Codes.**

(a) Incorporation by reference of the terms of this regulation along with the designation of employees and the formulation of disclosure categories in the Appendix referred to below constitute the adoption and promulgation of a conflict of interest code within the meaning of Section 87300 or the amendment of a conflict of interest code within the meaning of Section 87306 if the terms of this regulation are substituted for terms of a conflict of interest code already in effect. A code so amended or adopted and promulgated requires the reporting of reportable items in a manner substantially equivalent to the requirements of article 2 of chapter 7 of the Political Reform Act, Sections 81000, et seq . The requirements of a conflict of interest code are in addition to other requirements of the Political Reform Act, such as the general prohibition against conflicts of interest contained in Section 87100, and to other state or local laws pertaining to conflicts of interest.

(b) The terms of a conflict of interest code amended or adopted and promulgated pursuant to this regulation are as follows:

(1) Section 1. Definitions.

The definitions contained in the Political Reform Act of 1974, regulations of the Fair Political Practices Commission (Regulations 18110, et seq.), and any amendments to the Act or regulations, are incorporated by reference into this conflict of interest code.

(2) Section 2. Designated Employees.

The persons holding positions listed in the Appendix are designated employees. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests.

(3) Section 3. Disclosure Categories.

This code does not establish any disclosure obligation for those designated employees who are also specified in Section 87200 if they are designated in this code in that same capacity or if the geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction in which those persons must report their economic interests pursuant to article 2 of chapter 7 of the Political Reform Act, Sections 87200, et seq .

In addition, this code does not establish any disclosure obligation for any designated employees who are designated in a conflict of interest code for another agency, if all of the following apply:

(A) The geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction of the other agency;

(B) The disclosure assigned in the code of the other agency is the same as that required under article 2 of chapter 7 of the Political Reform Act, Section 87200; and

(C) The filing officer is the same for both agencies.<sup>1</sup>

Such persons are covered by this code for disqualification purposes only. With respect to all other designated employees, the disclosure categories set forth in the Appendix specify which kinds of economic interests are reportable. Such a designated employee shall disclose in his or her statement of economic interests those economic interests he or she has which are of the kind described in the disclosure categories to which he or she is assigned in the Appendix. It has been determined that the economic interests set forth in a designated employee's disclosure categories

are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office.

(4) Section 4. Statements of Economic Interests: Place of Filing.

The code reviewing body shall instruct all designated employees within its code to file statements of economic interests with the agency or with the code reviewing body, as provided by the code reviewing body in the agency's conflict of interest code. <sup>2</sup>

(5) Section 5. Statements of Economic Interests: Time of Filing.

(A) Initial Statements. All designated employees employed by the agency on the effective date of this code, as originally adopted, promulgated and approved by the code reviewing body, shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an initial statement within 30 days after the effective date of the amendment.

(B) Assuming Office Statements. All persons assuming designated positions after the effective date of this code shall file statements within 30 days after assuming the designated positions, or if subject to State Senate confirmation, 30 days after being nominated or appointed.

(C) Annual Statements. All designated employees shall file statements no later than April 1. If a person reports for military service as defined in the Servicemember's Civil Relief Act, the deadline for the annual statement of economic interests is 30 days following his or her return to office, provided the person, or someone authorized to represent the person's interests, notifies the filing officer in writing prior to the applicable filing deadline that he or she is subject to that federal statute and is unable to meet the applicable deadline, and provides the filing officer verification of his or her military status.

(D) Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

(5.5) Section 5.5. Statements for Persons Who Resign Prior to Assuming Office.

Any person who resigns within 12 months of initial appointment, or within 30 days of the date of notice provided by the filing officer to file an assuming office statement, is not deemed to have assumed office or left office, provided he or she did not make or participate in the making of, or use his or her position to influence any decision and did not receive or become entitled to receive any form of payment as a result of his or her appointment. Such persons shall not file either an assuming or leaving office statement.

(A) Any person who resigns a position within 30 days of the date of a notice from the filing officer shall do both of the following:

(1) File a written resignation with the appointing power; and

(2) File a written statement with the filing officer declaring under penalty of perjury that during the period between appointment and resignation he or she did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.

(6) Section 6. Contents of and Period Covered by Statements of Economic Interests.

(A) Contents of Initial Statements.

Initial statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the code and income received during the 12 months prior to the effective date of the code.

(B) Contents of Assuming Office Statements.

Assuming office statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office or, if subject to State Senate confirmation or appointment, on the date of nomination, and income received during the 12 months prior to the date of assuming office or the date of being appointed or nominated, respectively.

(C) Contents of Annual Statements. Annual statements shall disclose any reportable investments, interests in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first annual statement shall begin on the effective date of the code or the date of assuming office whichever is later, or for a board or commission member subject to Section 87302.6, the day after the closing date of the most recent statement filed by the member pursuant to Regulation 18754.

(D) Contents of Leaving Office Statements.

Leaving office statements shall disclose reportable investments, interests in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office.

(7) Section 7. Manner of Reporting.

Statements of economic interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the agency, and shall contain the following information:

(A) Investment and Real Property Disclosure.

When an investment or an interest in real property<sup>3</sup> is required to be reported,<sup>4</sup> the statement shall contain the following:

1. A statement of the nature of the investment or interest;

2. The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
3. The address or other precise location of the real property;
4. A statement whether the fair market value of the investment or interest in real property equals or exceeds \$2,000, exceeds \$10,000, exceeds \$100,000, or exceeds \$1,000,000.

(B) Personal Income Disclosure. When personal income is required to be reported,<sup>5</sup> the statement shall contain:

1. The name and address of each source of income aggregating \$500 or more in value, or \$50 or more in value if the income was a gift, and a general description of the business activity, if any, of each source;
2. A statement whether the aggregate value of income from each source, or in the case of a loan, the highest amount owed to each source, was \$1,000 or less, greater than \$1,000, greater than \$10,000, or greater than \$100,000;
3. A description of the consideration, if any, for which the income was received;
4. In the case of a gift, the name, address and business activity of the donor and any intermediary through which the gift was made; a description of the gift; the amount or value of the gift; and the date on which the gift was received;
5. In the case of a loan, the annual interest rate and the security, if any, given for the loan and the term of the loan.

(C) Business Entity Income Disclosure. When income of a business entity, including income of a sole proprietorship, is required to be reported,<sup>6</sup> the statement shall contain:

1. The name, address, and a general description of the business activity of the business entity;

2. The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such person was equal to or greater than \$10,000.

(D) Business Position Disclosure. When business positions are required to be reported, a designated employee shall list the name and address of each business entity in which he or she is a director, officer, partner, trustee, employee, or in which he or she holds any position of management, a description of the business activity in which the business entity is engaged, and the designated employee's position with the business entity.

(E) Acquisition or Disposal During Reporting Period. In the case of an annual or leaving office statement, if an investment or an interest in real property was partially or wholly acquired or disposed of during the period covered by the statement, the statement shall contain the date of acquisition or disposal.

(8) Section 8. Prohibition on Receipt of Honoraria.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept any honorarium from any source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (a), (b), and (c) of Section 89501 shall apply to the prohibitions in this section.

This section shall not limit or prohibit payments, advances, or reimbursements for travel and related lodging and subsistence authorized by Section 89506.

(8.1) Section 8.1. Prohibition on Receipt of Gifts in Excess of \$460.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept gifts with a total value of more than \$460 in a calendar year from any single source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (e), (f), and (g) of Section 89503 shall apply to the prohibitions in this section.

(8.2) Section 8.2. Loans to Public Officials.

(A) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the elected officer holds office or over which the elected officer's agency has direction and control.

(B) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the public official holds office or over which the public official's agency has direction and control. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(C) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected

officer has been elected or over which that elected officer's agency has direction and control.

This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status.

(D) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected officer has been elected or over which that elected officer's agency has direction and control. This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(E) This section shall not apply to the following:

1. Loans made to the campaign committee of an elected officer or candidate for elective office.

2. Loans made by a public official's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such persons, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans from a person which, in the aggregate, do not exceed \$500 at any given time.

4. Loans made, or offered in writing, before January 1, 1998.

(8.3) Section 8.3. Loan Terms.

(A) Except as set forth in subdivision (B), no elected officer of a state or local government agency shall, from the date of his or her election to office through the date he or she vacates office, receive a personal loan of \$500 or more, except when the loan is in writing and clearly states the terms of the loan, including the parties to the loan agreement, date of the loan, amount of the loan, term of the loan, date or dates when payments shall be due on the loan and the amount of the payments, and the rate of interest paid on the loan.

(B) This section shall not apply to the following types of loans:

1. Loans made to the campaign committee of the elected officer.

2. Loans made to the elected officer by his or her spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans made, or offered in writing, before January 1, 1998.

(C) Nothing in this section shall exempt any person from any other provision of Title 9 of the Government Code.

(8.4) Section 8.4. Personal Loans.

(A) Except as set forth in subdivision (B), a personal loan received by any designated employee shall become a gift to the designated employee for the purposes of this section in the following circumstances:

1. If the loan has a defined date or dates for repayment, when the statute of limitations for filing an action for default has expired.

2. If the loan has no defined date or dates for repayment, when one year has elapsed from the later of the following:

a. The date the loan was made.

b. The date the last payment of \$100 or more was made on the loan.

c. The date upon which the debtor has made payments on the loan aggregating to less than \$250 during the previous 12 months.

(B) This section shall not apply to the following types of loans:

1. A loan made to the campaign committee of an elected officer or a candidate for elective office.

2. A loan that would otherwise not be a gift as defined in this title.

3. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor has taken reasonable action to collect the balance due.

4. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor, based on reasonable business considerations, has not undertaken collection action.

Except in a criminal action, a creditor who claims that a loan is not a gift on the basis of this paragraph has the burden of proving that the decision for not taking collection action was based on reasonable business considerations.

5. A loan made to a debtor who has filed for bankruptcy and the loan is ultimately discharged in bankruptcy.

(C) Nothing in this section shall exempt any person from any other provisions of Title 9 of the Government Code.

(9) Section 9. Disqualification.

No designated employee shall make, participate in making, or in any way attempt to use his or her official position to influence the making of any governmental decision which he or she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on:

(A) Any business entity in which the designated employee has a direct or indirect investment worth \$2,000 or more;

(B) Any real property in which the designated employee has a direct or indirect interest worth \$2,000 or more;

(C) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided to, received by or promised to the designated employee within 12 months prior to the time when the decision is made;

(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management; or

(E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating \$460 or more provided to, received by, or promised to the designated employee within 12 months prior to the time when the decision is made.

(9.3) Section 9.3. Legally Required Participation.

No designated employee shall be prevented from making or participating in the making of any decision to the extent his or her participation is legally required for the decision to be

made. The fact that the vote of a designated employee who is on a voting body is needed to break a tie does not make his or her participation legally required for purposes of this section.

(9.5) Section 9.5. Disqualification of State Officers and Employees.

In addition to the general disqualification provisions of section 9, no state administrative official shall make, participate in making, or use his or her official position to influence any governmental decision directly relating to any contract where the state administrative official knows or has reason to know that any party to the contract is a person with whom the state administrative official, or any member of his or her immediate family has, within 12 months prior to the time when the official action is to be taken:

(A) Engaged in a business transaction or transactions on terms not available to members of the public, regarding any investment or interest in real property; or

(B) Engaged in a business transaction or transactions on terms not available to members of the public regarding the rendering of goods or services totaling in value \$1,000 or more.

(10) Section 10. Disclosure of Disqualifying Interest.

When a designated employee determines that he or she should not make a governmental decision because he or she has a disqualifying interest in it, the determination not to act may be accompanied by disclosure of the disqualifying interest.

(11) Section 11. Assistance of the Commission and Counsel.

Any designated employee who is unsure of his or her duties under this code may request assistance from the Fair Political Practices Commission pursuant to Section 83114 and Regulations 18329 and 18329.5 or from the attorney for his or her agency, provided that nothing in this section requires the attorney for the agency to issue any formal or informal opinion.

(12) Section 12. Violations.

This code has the force and effect of law. Designated employees violating any provision of this code are subject to the administrative, criminal and civil sanctions provided in the Political Reform Act, Sections 81000-91014. In addition, a decision in relation to which a violation of the disqualification provisions of this code or of Section 87100 or 87450 has occurred may be set aside as void pursuant to Section 91003.

---

<sup>1</sup> Designated employees who are required to file statements of economic interests under any other agency's conflict of interest code, or under article 2 for a different jurisdiction, may expand their statement of economic interests to cover reportable interests in both jurisdictions, and file copies of this expanded statement with both entities in lieu of filing separate and distinct statements, provided that each copy of such expanded statement filed in place of an original is signed and verified by the designated employee as if it were an original. See Section 81004.

<sup>2</sup> See Section 81010 and Regulation 18115 for the duties of filing officers and persons in agencies who make and retain copies of statements and forward the originals to the filing officer.

<sup>3</sup> For the purpose of disclosure only (not disqualification), an interest in real property does not include the principal residence of the filer.

<sup>4</sup> Investments and interests in real property which have a fair market value of less than \$2,000 are not investments and interests in real property within the meaning of the Political Reform Act. However, investments or interests in real property of an individual include those held by the individual's spouse and dependent children as well as a pro rata share of any investment or interest in real property of any business entity or trust in which the individual, spouse and

dependent children own, in the aggregate, a direct, indirect or beneficial interest of 10 percent or greater.

<sup>5</sup> A designated employee's income includes his or her community property interest in the income of his or her spouse but does not include salary or reimbursement for expenses received from a state, local or federal government agency.

<sup>6</sup> Income of a business entity is reportable if the direct, indirect or beneficial interest of the filer and the filer's spouse in the business entity aggregates a 10 percent or greater interest. In addition, the disclosure of persons who are clients or customers of a business entity is required only if the clients or customers are within one of the disclosure categories of the filer.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87103(e), 87300-87302, 89501, 89502 and 89503, Government Code.

#### HISTORY

1. New section filed 4-2-80 as an emergency; effective upon filing (Register 80, No. 14).  
Certificate of Compliance included.
  2. Editorial correction (Register 80, No. 29).
  3. Amendment of subsection (b) filed 1-9-81; effective thirtieth day thereafter (Register 81, No. 2).
  4. Amendment of subsection (b)(7)(B)1. filed 1-26-83; effective thirtieth day thereafter (Register 83, No. 5).
  5. Amendment of subsection (b)(7)(A) filed 11-10-83; effective thirtieth day thereafter (Register 83, No. 46).
  6. Amendment filed 4-13-87; operative 5-13-87 (Register 87, No. 16).
-

7. Amendment of subsection (b) filed 10-21-88; operative 11-20-88 (Register 88, No. 46).
8. Amendment of subsections (b)(8)(A) and (b)(8)(B) and numerous editorial changes filed 8-28-90; operative 9-27-90 (Reg. 90, No. 42).
9. Amendment of subsections (b)(3), (b)(8) and renumbering of following subsections and amendment of Note filed 8-7-92; operative 9-7-92 (Register 92, No. 32).
10. Amendment of subsection (b)(5.5) and new subsections (b)(5.5)(A)-(A)(2) filed 2-4-93; operative 2-4-93 (Register 93, No. 6).
11. Change without regulatory effect adopting Conflict of Interest Code for California Mental Health Planning Council filed 11-22-93 pursuant to title 1, section 100, California Code of Regulations (Register 93, No. 48). Approved by Fair Political Practices Commission 9-21-93.
12. Change without regulatory effect redesignating Conflict of Interest Code for California Mental Health Planning Council as chapter 62, section 55100 filed 1-4-94 pursuant to title 1, section 100, California Code of Regulations (Register 94, No. 1).
13. Editorial correction adding History 11 and 12 and deleting duplicate section number (Register 94, No. 17).
14. Amendment of subsection (b)(8), designation of subsection (b)(8)(A), new subsection (b)(8)(B), and amendment of subsections (b)(8.1)-(b)(8.1)(B), (b)(9)(E) and Note filed 3-14-95; operative 3-14-95 pursuant to Government Code section 11343.4(d) (Register 95, No. 11).
15. Editorial correction inserting inadvertently omitted language in footnote 4 (Register 96, No. 13).

16. Amendment of subsections (b)(8)(A)-(B) and (b)(8.1)(A), repealer of subsection (b)(8.1)(B), and amendment of subsection (b)(12) filed 10-23-96; operative 10-23-96 pursuant to Government Code section 11343.4(d) (Register 96, No. 43).
17. Amendment of subsections (b)(8.1) and (9)(E) filed 4-9-97; operative 4-9-97 pursuant to Government Code section 11343.4(d) (Register 97, No. 15).
18. Amendment of subsections (b)(7)(B)5., new subsections (b)(8.2)-(b)(8.4)(C) and amendment of Note filed 8-24-98; operative 8-24-98 pursuant to Government Code section 11343.4(d) (Register 98, No. 35).
19. Editorial correction of subsection (a) (Register 98, No. 47).
20. Amendment of subsections (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 5-11-99; operative 5-11-99 pursuant to Government Code section 11343.4(d) (Register 99, No. 20).
21. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 12-6-2000; operative 1-1-2001 pursuant to the 1974 version of Government Code section 11380.2 and Title 2, California Code of Regulations, section 18312(d) and (e) (Register 2000, No. 49).
22. Amendment of subsections (b)(3) and (b)(10) filed 1-10-2001; operative 2-1-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 2).
23. Amendment of subsections (b)(7)(A)4., (b)(7)(B)1.-2., (b)(8.2)(E)3., (b)(9)(A)-(C) and footnote 4. filed 2-13-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third

Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 7).

24. Amendment of subsections (b)(8.1)-(b)(8.1)(A) filed 1-16-2003; operative 1-1-2003.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2003, No. 3).

25. Editorial correction of History 24 (Register 2003, No. 12).

26. Editorial correction removing extraneous phrase in subsection (b)(9.5)(B) (Register 2004, No. 33).

27. Amendment of subsections (b)(2)-(3), (b)(3)(C), (b)(6)(C), (b)(8.1)-(b)(8.1)(A), (b)(9)(E) and (b)(11)-(12) filed 1-4-2005; operative 1-1-2005 pursuant to Government Code section 11343.4 (Register 2005, No. 1).

28. Amendment of subsection (b)(7)(A)4. filed 10-11-2005; operative 11-10-2005 (Register 2005, No. 41).

29. Amendment of subsections (a), (b)(1), (b)(3), (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 12-18-2006; operative 1-1-2007. Submitted to OAL pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2006, No. 51).

30. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 10-31-2008; operative 11-30-2008. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate

District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2008, No. 44).

31. Amendment of section heading and section filed 11-15-2010; operative 12-15-2010.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2010, No. 47).

32. Amendment of section heading and subsections (a)-(b)(1), (b)(3)-(4), (b)(5)(C), (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) and amendment of footnote 1 filed 1-8-2013; operative 2-7-2013. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2013, No. 2).

33. Amendment of subsections (b)(8.1)-(b)(8.1)(A), (b)(8.2)(E)3. and (b)(9)(E) filed 12-15-2014; operative 1-1-2015 pursuant to section 18312(e)(1)(A), title 2, California Code of Regulations. Submitted to OAL for filing and printing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2014, No. 51).

## 2016 Local Agency Biennial Notice

Name of Agency: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone No. \_\_\_\_\_

Email: \_\_\_\_\_ Alternate Email: \_\_\_\_\_

**Accurate disclosure is essential to monitor whether officials have conflicts of interest and to help ensure public trust in government. The biennial review examines current programs to ensure that the agency's code includes disclosure by those agency officials who make or participate in making governmental decisions.**

This agency has reviewed its conflict of interest code and has determined that *(check one BOX)*:

**An amendment is required. The following amendments are necessary:**

*(Check all that apply.)*

- Include new positions
- Revise disclosure categories
- Revise the titles of existing positions
- Delete titles of positions that have been abolished and/or positions that no longer make or participate in making governmental decisions
- Other *(describe)* \_\_\_\_\_

**The code is currently under review by the code reviewing body.**

**No amendment is required.** (If your code is over five years old, amendments may be necessary.)

**Verification (to be completed if no amendment is required)**

*This agency's code accurately designates all positions that make or participate in the making of governmental decisions. The disclosure assigned to those positions accurately requires that all investments, business positions, interests in real property, and sources of income that may foreseeably be affected materially by the decisions made by those holding designated positions are reported. The code includes all other provisions required by Government Code Section 87302.*

\_\_\_\_\_  
*Signature of Chief Executive Officer*

\_\_\_\_\_  
*Date*

All agencies must complete and return this notice regardless of how recently your code was approved or amended. Please return this notice no later than **October 3, 2016**, or by the date specified by your agency, if earlier, to:

*(PLACE RETURN ADDRESS OF CODE REVIEWING BODY HERE)*

**PLEASE DO NOT RETURN THIS FORM TO THE FPPC.**