

**CITY OF CHOWCHILLA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2018**

CITY OF CHOWCHILLA
JUNE 30, 2018

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JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Chowchilla, 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 Chowchilla, California (the City) as of and for the year ended June 30, 2018, 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 City'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 City'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 Chowchilla, California, as of June 30, 2018, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, budgetary comparison information on pages 60-63, schedule of the City's proportionate share of the net pension liability on page 64, and schedule of contributions on page 65 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.

Supplementary Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 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 March 5, 2019, on our consideration of the City of Chowchilla, California'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 the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 5, 2019

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the City of Chowchilla, we offer readers of the City of Chowchilla's financial statements this narrative overview and analysis of the financial activities of the City of Chowchilla for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Chowchilla exceeded its liabilities as of June 30, 2018 by \$39,776,085. Of this amount, unrestricted deficit net position of \$12,845,156 may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2017, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$40,829,900 with unrestricted deficit net position totaling \$14,107,350.

Total net position decreased by \$1,053,815 during the year ended June 30, 2018. Net position associated with governmental activities increased by \$603,294 while net position associated with business-type activities decreased by \$1,657,109. For the year ended June 30, 2017, total net position increased by \$2,046,507 with net position associated with governmental activities increasing by \$692,292 and net position associated with business-type activities increasing by \$1,354,215.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,993,502 an increase of \$2,114,056 compared with the prior year. Of this amount, \$3,064,178 is available for spending and \$9,929,324 is restricted or otherwise designated for specific future uses. For the year ended June 30, 2017, the City's governmental funds had combined ending fund balances of \$10,879,446, with \$1,694,015 being available for spending and \$9,185,431 restricted for specific future uses. The combined ending fund balances as of June 30, 2017 represented a decrease of \$4,626,909 over the June 30, 2016 combined ending fund balances.

At the end of the current fiscal year, the fund balance for the general fund was \$4,817,200 or 76 percent of general fund operating expenditures for the year ended June 30, 2018. The general fund's fund balance increased by \$985,936 for the year ended June 30, 2018. At the end of the prior fiscal year, the fund balance of the general fund was \$3,831,264, or 64 percent of that year's general fund operating expenditures. The general fund's fund balance increased by \$592,471 during the prior year.

The City's total debt obligations (including post-retirement benefits) increased by \$6,043,087. This was mostly attributable to increases in governmental funds long-term obligations of \$4,771,970 which was mostly attributable to the issuance of the 2017 Lease Revenue CREB Bonds for \$3,630,000. During the prior year, total debt obligations increased by \$6,791,343.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Chowchilla's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will result in cash flows in future fiscal periods.

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, community development and other charges. The major business-type activities of the City include water, sewer, storm drain and solid waste disposal systems, as well as airport activities.

Fund financial statements. 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 near term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balance provide reconciliations to facilitate this comparison between the two.

The City maintains 37 individual governmental funds. Many funds are grouped together by purpose or type for financial reporting purposes. There are 15 governmental funds presented for financial statement purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balance for the general fund which is considered a major fund, two special revenue funds, one debt service fund and one capital projects fund which are presented separately for the purpose of consistency. Data from the other ten special revenue 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 elsewhere in this report.

The City adopts an annual budget for its general fund and all special revenue funds. Budgetary comparison statements have been provided for the general fund and the four major special revenue funds to demonstrate compliance with the 2017/2018 budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains five individual enterprise funds. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenue, expense and changes in fund net position for all five enterprise funds.

An internal service fund is used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds to account for its fleet maintenance and information technology activities. These funds costs are allocated amongst all funds that use those services, both governmental and business-type, so the funds themselves are excluded in the government-wide financial statements, but are presented separately in the proprietary funds financial statements.

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with the non-major funds are presented immediately after the basic financial statements. Also included are budgetary comparisons for the major governmental funds. Finally, reports related to the City's federal financial assistance programs are presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, the City's assets exceeded liabilities by \$39,776,085. The largest portion of the City's net position (56 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules represent a summary of the City's net position and activities for the year ended June 30, 2018, with a comparison to the total net position and activities for the year ended June 30, 2017:

**Statements of Net Position
June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Totals	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Assets						
Current and other assets	\$ 36,876,285	\$ 34,251,470	\$ 10,994,052	\$ 18,470,578	\$ 47,870,337	\$ 52,722,048
Capital assets	19,645,211	16,618,297	19,034,744	15,037,521	38,679,955	31,655,818
Total assets	<u>56,521,496</u>	<u>50,869,767</u>	<u>30,028,796</u>	<u>33,508,099</u>	<u>86,550,292</u>	<u>84,377,866</u>
Deferred Outflows of Resources	<u>2,738,400</u>	<u>2,503,229</u>	<u>412,475</u>	<u>460,650</u>	<u>3,150,875</u>	<u>2,963,879</u>
Liabilities						
Long-term liabilities	28,295,165	23,523,195	17,041,566	15,770,449	45,336,731	39,293,644
Other liabilities	3,196,418	2,513,588	1,158,603	4,294,706	4,355,021	6,808,294
Total liabilities	<u>31,491,583</u>	<u>26,036,783</u>	<u>18,200,169</u>	<u>20,065,155</u>	<u>49,691,752</u>	<u>46,101,938</u>
Deferred Inflows of Resources	<u>177,663</u>	<u>348,857</u>	<u>55,667</u>	<u>61,050</u>	<u>233,330</u>	<u>409,907</u>
Net Assets:						
Net investment in capital assets	11,582,456	11,800,115	10,680,771	14,034,371	22,263,227	25,834,486
Restricted	30,276,731	29,102,764	81,283	-	30,358,014	29,102,764
Unrestricted (Deficit)	<u>(14,268,537)</u>	<u>(13,915,523)</u>	<u>1,423,381</u>	<u>(191,827)</u>	<u>(12,845,156)</u>	<u>(14,107,350)</u>
Total net assets	<u>\$ 27,590,650</u>	<u>\$ 26,987,356</u>	<u>\$ 12,185,435</u>	<u>\$ 13,842,544</u>	<u>\$ 39,776,085</u>	<u>\$ 40,829,900</u>

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

**Statements of Activities
For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Totals	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,125,266	\$ 1,324,970	\$ 5,278,853	\$ 5,117,591	\$ 6,404,119	\$ 6,442,561
Operating grants and contributions	2,470,191	1,423,307	15,005	15,027	2,485,196	1,438,334
Capital grants and contributions	446,631	749,695	783,325	983,310	1,229,956	1,733,005
General revenues:						
Property taxes	908,288	876,448	13,998	8,724	922,286	885,172
Sales taxes	1,468,114	1,380,035	-	-	1,468,114	1,380,035
Transient lodging taxes	348,302	306,259	-	-	348,302	306,259
Franchises fees	266,346	245,167	-	-	266,346	245,167
Documentary stamp	37,678	35,739	-	-	37,678	35,739
Motor vehicle in lieu - unrestricted	1,981,384	1,948,930	-	-	1,981,384	1,948,930
Investment earnings	539,368	497,607	61,194	18,392	600,562	515,999
Rental income	167,754	107,470	-	-	167,754	107,470
Legal settlement	511,702	544,623	-	-	511,702	544,623
Miscellaneous	280,637	144,211	177,050	12,100	457,687	156,311
Gain/loss on sale of capital assets	-	-	-	-	-	-
Total revenues	<u>10,551,661</u>	<u>9,584,461</u>	<u>6,329,425</u>	<u>6,155,144</u>	<u>16,881,086</u>	<u>15,739,605</u>
Expenses:						
General government	1,602,387	795,499	-	-	1,602,387	795,499
Public safety	3,913,266	3,226,534	-	-	3,913,266	3,226,534
Highways and streets	1,643,200	1,570,114	-	-	1,643,200	1,570,114
Culture and recreation	965,024	465,278	-	-	965,024	465,278
Community development	1,004,041	856,389	-	-	1,004,041	856,389
Interest and fiscal charges	820,449	570,097	-	-	820,449	570,097
Water	-	-	5,157,398	3,367,004	5,157,398	3,367,004
Solid waste	-	-	1,356,310	1,211,317	1,356,310	1,211,317
Sewer	-	-	1,275,274	1,560,135	1,275,274	1,560,135
Airport	-	-	115,927	22,778	115,927	22,778
Storm drain	-	-	81,625	47,953	81,625	47,953
Total expenses	<u>9,948,367</u>	<u>7,483,911</u>	<u>7,986,534</u>	<u>6,209,187</u>	<u>17,934,901</u>	<u>13,693,098</u>
Transfers	-	(1,408,258)	-	1,408,258	-	-
Changes in net position	603,294	692,292	(1,657,109)	1,354,215	(1,053,815)	2,046,507
Net position at beginning of year	26,987,356	22,900,543	13,842,544	12,488,329	40,829,900	35,388,872
Prior period adjustments	-	3,394,521	-	-	-	3,394,521
Net position at end of year	<u>\$ 27,590,650</u>	<u>\$ 26,987,356</u>	<u>\$ 12,185,435</u>	<u>\$ 13,842,544</u>	<u>\$ 39,776,085</u>	<u>\$ 40,829,900</u>

Governmental activities. Governmental activities increased the City's net position by \$603,294 (a decrease of \$88,998 compared to the prior year) accounting for the only growth in net position. This was due primarily to an increase in charges for services of \$43,578, an increase in operating grants and contributions of \$1,046,211, a decrease in capital grants and contributions of \$303,064, an increase in general revenue, including transfers in/(out) of \$1,877,273 and an increase in expense of \$2,752,996.

Business-type activities. Business-type activities decreased the City's net position by \$1,657,109 (a decrease of \$3,011,324 compared to the prior year), accounting for all of the decrease in the City's net position. This was due primarily to a decrease in general revenue and transfers of \$1,195,232, a decrease in program revenue of \$38,745 and an increase in expense of \$1,777,347. The sewer and disposal activities generated net profits in operating income (operating revenue less operating expense) while water activities generated an operating loss which was mainly due to the use of loan proceeds to pay for the water meter upgrades which were expensed and not capitalized.

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$12,993,502, an increase of \$2,114,056 in comparison to the prior year. Of this amount, \$3,064,178 (24 percent) was unassigned, which is available for spending at the City's discretion. The remainder of the fund balance is assigned to indicate that it is not available for new spending because it has already been designated to liquidate contracts and purchase orders of the prior period (\$226,418), restricted by external entities (\$8,255,054) or non-spendable because the assets that will not be converted to cash within the next twelve months (\$537,629). In addition, \$910,223 has been formally committed and is also not available for spending.

The general fund is the City's chief operating fund. At the end of the current fiscal year, the spendable portion of the fund balance of the general fund was \$3,142,930 while the total fund balance was \$4,817,200. As a measure of the general fund's liquidity, it may be useful to compare both the spendable portion of the fund balance and total fund balance to total fund expenditures. Spendable portion of the fund balance represents 49 percent of total general fund operating expenditures, while total fund balance represents 76 percent of the same amount.

The fund balance of the City's general fund increased by \$985,936 during the year ended June 30, 2018. Expenditures increased by 50% and revenue increased by 1% resulting in an excess of expenditures over revenue of \$1,564,054. There was \$2,942,487 transferred from other funds to the general fund and \$401,809 transferred from the general fund to other funds.

Major Special Revenue funds have a combined fund balance of \$3,979,095. All is restricted by external entities for various activities.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds was \$2,202,918 as of June 30, 2018. The total decrease in the net position of the proprietary funds was \$1,654,608 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final general fund final budgeted expenditures were greater than the original budgeted expenditures by \$3,488,365. Actual expenditures were \$1,195,203 less than final budgeted expenditures. Final anticipated revenue was \$3,752,488 greater than original anticipated revenue. Actual total revenue was \$354,327 less than the final anticipated revenue.

The large increase from adopted to final budget, for both revenues and expenditures, is due to an infrastructure project not being included in the adopted budget.

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$38,679,955 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, automobiles, equipment and street lights. In addition, all sidewalks, bridges and roads within the city limits belong to the City.

City of Chowchilla's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 547,447	\$ 547,447	\$ 1,947,728	\$ 1,947,728	\$ 2,495,175	\$ 2,495,175
Construction in progress	3,018,884	864,108	7,225,042	2,890,072	10,243,926	3,754,180
Land improvements	449,202	481,818	536,110	577,775	985,312	1,059,593
Building improvements	4,833,763	4,454,898	1,152,653	1,290,307	5,986,416	5,745,205
Machinery, equipment and vehicles	1,864,756	1,632,524	260,753	244,219	2,125,509	1,876,743
Infrastructure	8,931,159	8,637,502	7,912,458	8,087,420	16,843,617	16,724,922
Total	\$ 19,645,211	\$ 16,618,297	\$ 19,034,744	\$ 15,037,521	\$ 38,679,955	\$ 31,655,818

Major capital asset events during the year ended June 30, 2018 included the following:

- Various infrastructure improvements amounted to \$8,405,210.
- Furniture and equipment acquisitions amounted to \$550,563.
- Building improvements amounted to \$544,106.

Additional information on the City's capital assets can be found in note six.

Long-term liabilities. As of June 30, 2018, the City had \$45,336,731 in outstanding long-term debt consisting of seven revenue bond issues (\$19,886,480), two loans from the State of California (\$13,119,206), one loan from the County of Madera (\$157,500), one certificates of participation (\$275,000), unfunded pension obligation (\$10,793,945), net unamortized bond premiums/discounts (\$692,111) and compensated absences (\$412,489). The revenue bonds are obligations of the water, sewer, general and streets and roads funds. Principal payments on the revenue bonds during the year reduced the amount owed by \$317,978. There was \$3,630,000 in new revenue bonds issued by the General Fund during the year. The certificates of participation (COP's) are an obligation of the water funds. Principal payments on the COP's during the year reduced the amount owed by \$65,000. There was a \$1,513,489 principal increase in the loans payable to the State of California for the completion of the city-wide water meter upgrade project which is an obligation of the water fund. The loan payable to Madera County was paid down by \$157,500 and the loan will be paid off in FY 18/19.

The City's total debt obligations (including post-retirement benefits) increased by \$6,043,087. This was mostly attributable to increases in governmental funds long-term obligations of \$4,771,970 which was mostly attributable to the issuance of the 2017 Lease Revenue CREB Bonds for \$3,630,000. The loan to the State of California principal increased by \$1,513,489 for the city-wide water meter upgrade project. There was an increase in the unfunded pension obligation of \$1,210,818. Compensated absences payable increased by \$81,450 during the year.

City of Chowchilla's Outstanding Bonds, Certificates of Participation and Loans

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds	\$ 8,356,480	\$ 5,024,458	\$ 11,530,000	\$ 11,550,000	\$ 19,886,480	\$ 16,574,458
Certificates of Participation	-	-	275,000	340,000	275,000	340,000
Loans	10,070,715	10,228,215	3,205,991	1,692,502	13,276,706	11,920,717
Total	\$ 18,427,195	\$ 15,252,673	\$ 15,010,991	\$ 13,582,502	\$ 33,438,186	\$ 28,835,175

Additional information on the City's long-term liabilities can be found in notes seven, eight and nine.

**CITY OF CHOWCHILLA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to focus on maintaining a balanced budget and forecasting the needed resources to provide efficient and effective levels of service to the public. The City Council and staff continue to follow a conservative approach to the public's finances. Various economic outlook indicators paint an uncertain future in California, and the pension storm that is facing Chowchilla and most public agencies in California requires staff to look at multi-year budget projections and prepare for possible outcomes of the future.

Should the next economic recession come, Chowchilla will be poised to weather the storm if a prudent fiscal position is pursued. This conservative fiscal position does not mean that future goals and objectives are put aside, but rather, that each dollar spent is leveraged to its maximum so that we can continue to aggressively pursue the goals that our community so desperately needs. These needs can be captured in the City's five Cornerstone Goals:

- Provide a safe and secure community
- Strengthen infrastructure and proactively plan for services, finances and processes
- Achieve and maintain fiscal reinforcement and growth
- Enhance the quality of life and sense of place
- Foster economic development and revenue production

Specific goals, outcomes, and strategies to reach the outcomes under each of the Cornerstones can be found in the City's Annual Adopted Budget document under individual department sections.

Over the course of the past four years, the City's budget process, financial policies, and financial metrics have undergone a dramatic evolution to become far more transparent. This reflects the strategic priorities of the Council and demonstrate accountability to the tax and ratepayers. As one example of these efforts, in Fiscal Year 16/17 the City's budget document was amended further to meet Government Finance Officers' Association standards, including additional financial schedules and inclusion of Council-adopted long-term fiscal policies, such as the General Fund Reserve policy, the Fund Balance Policy, and Capital and Debt Issuance Policies. The City has submitted the Fiscal Year 18/19 Budget for the GFOA Distinguished Budget Presentation Award and is very hopeful to receive the award. For the first time ever, the City will also look to apply for the Meritorious Award from the California Society of Municipal Finance Officers (CSMFO), a statewide award program, for the next fiscal year budget.

The biggest economic factor in both the immediate and long-term range is the increase in pension costs through CalPERS. They have approved a reduction of the Discount Rate from 7.5% to 7.0% by FY 2019/2020. This results in a higher projected Unfunded Liability because they now expect to receive a lower rate of return. This increase to the Unfunded Liability has caused rather large increases to pension cost both currently and projected over the next 5 years. By FY 2024/2025 pension costs are estimated to increase by roughly 60%.

In an effort to address these financial challenges due to the increase in pension costs, City Council has authorized the issuance of Pension Obligation Bonds (POB's). These bonds are tentatively scheduled to close sometime in March 2019. The POB's are being issued as a form of "refinancing" our unfunded liability with CalPERS. Essentially we are issuing bonds at a lower interest rate than the 7% CalPERS uses to amortize our unfunded liability. City Council gave the authority to issue up to \$11M in bonds and it is estimated that the City will need to Issue \$10.5M which will result in a savings of roughly \$3.8M over the life of a 28 year bond as compared to CalPERS 28 year amortization.

The City is also considering funding a Section 115 Trust to offset pension costs. An analysis will be performed and presented to City Council for direction. The City could fund it with current reserves, savings from the issuance of POB's or any combination of the two.

The City put Measure N on the November 2018 ballot. This measure is a 1% district sales tax add-on. It is a Public Safety Measure which requires a 2/3 voter approval. Measure N passed and the City will begin to collect the tax starting April 1, 2019. The estimated increase in sales tax revenue is approximately \$1.3M in year 1. The funds will be used to upgrade and purchase equipment as well as help with recruitment and retention of public safety employees. Retention of current employees due to increases in pension costs is allowed under this measure.

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BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 10,771,789	\$ 5,449,495	\$ 16,221,284
Restricted cash and investments with fiscal agents	1,052,501	4,129,824	5,182,325
Accounts receivable, net	553,137	502,621	1,055,758
Intergovernmental receivables	2,085,256	884,290	2,969,546
Notes receivable, net	22,157,467	-	22,157,467
Prepaid expenses	45,549	-	45,549
Prepaid bond insurance	24,183	110,225	134,408
Land held for resale	104,000	-	104,000
Internal balances	82,403	(82,403)	-
Capital assets:			
Nondepreciable	3,566,331	9,172,770	12,739,101
Depreciable, net of accumulated depreciation	<u>16,078,880</u>	<u>9,861,974</u>	<u>25,940,854</u>
Total assets	<u>56,521,496</u>	<u>30,028,796</u>	<u>86,550,292</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	919,909	122,521	1,042,430
Deferred outflows of resources from pensions	<u>1,818,491</u>	<u>289,954</u>	<u>2,108,445</u>
Total deferred outflows of resources	<u>2,738,400</u>	<u>412,475</u>	<u>3,150,875</u>
LIABILITIES			
Accounts payable	950,530	923,688	1,874,218
Accrued payroll	220,252	-	220,252
Deposits	6,000	179,345	185,345
Accrued interest	2,019,636	46,320	2,065,956
Unearned revenues	-	9,250	9,250
Long-term liabilities:			
Net pension liability	9,360,884	1,433,061	10,793,945
Due within one year	536,881	260,150	797,031
Due in more than one year	<u>18,397,400</u>	<u>15,348,355</u>	<u>33,745,755</u>
Total liabilities	<u>31,491,583</u>	<u>18,200,169</u>	<u>49,691,752</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>177,663</u>	<u>55,667</u>	<u>233,330</u>
Total deferred inflows of resources	<u>177,663</u>	<u>55,667</u>	<u>233,330</u>
NET POSITION			
Net investment in capital assets	11,582,456	10,680,771	22,263,227
Restricted for:			
Highway and streets	3,345,286	-	3,345,286
Community development	23,022,189	-	23,022,189
Transit	33,950	-	33,950
Construction projects	3,344,444	-	3,344,444
Debt service	530,862	81,283	612,145
Unrestricted	<u>(14,268,537)</u>	<u>1,423,381</u>	<u>(12,845,156)</u>
Total net position	<u>\$ 27,590,650</u>	<u>\$ 12,185,435</u>	<u>\$ 39,776,085</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,602,387	\$ 127,384	\$ 21,561	\$ -	\$ (1,453,442)	\$ -	\$ (1,453,442)
Public safety	3,913,266	156,725	346,138	-	(3,410,403)	-	(3,410,403)
Highways and streets	1,643,200	389,517	2,085,277	375,576	1,207,170	-	1,207,170
Culture and recreation	965,024	27	-	71,055	(893,942)	-	(893,942)
Community development	1,004,041	451,613	17,215	-	(535,213)	-	(535,213)
Interest and fiscal charges	820,449	-	-	-	(820,449)	-	(820,449)
Total governmental activities	<u>9,948,367</u>	<u>1,125,266</u>	<u>2,470,191</u>	<u>446,631</u>	<u>(5,906,279)</u>	<u>-</u>	<u>(5,906,279)</u>
Business-type activities:							
Water	5,157,398	2,214,033	-	717,586	-	(2,225,779)	(2,225,779)
Solid waste	1,356,310	1,381,028	5,005	-	-	29,723	29,723
Sewer	1,275,274	1,450,316	-	19,334	-	194,376	194,376
Airport	115,927	18,546	10,000	46,405	-	(40,976)	(40,976)
Storm drain	81,625	214,930	-	-	-	133,305	133,305
Total business-type activities	<u>7,986,534</u>	<u>5,278,853</u>	<u>15,005</u>	<u>783,325</u>	<u>-</u>	<u>(1,909,351)</u>	<u>(1,909,351)</u>
Total	<u>\$ 17,934,901</u>	<u>\$ 6,404,119</u>	<u>\$ 2,485,196</u>	<u>\$ 1,229,956</u>	<u>(5,906,279)</u>	<u>(1,909,351)</u>	<u>(7,815,630)</u>
General revenues:							
Taxes:							
Property					908,288	13,998	922,286
Sales					1,468,114	-	1,468,114
Transient lodging					348,302	-	348,302
Franchises					266,346	-	266,346
Documentary stamp					37,678	-	37,678
Motor vehicle in lieu - unrestricted					1,981,384	-	1,981,384
Investment income					539,368	61,194	600,562
Rental income					167,754	-	167,754
Legal settlement					511,702	-	511,702
Miscellaneous					280,637	177,050	457,687
Total general revenues and transfers					<u>6,509,573</u>	<u>252,242</u>	<u>6,761,815</u>
Change in net position					603,294	(1,657,109)	(1,053,815)
Net position, beginning of year					<u>26,987,356</u>	<u>13,842,544</u>	<u>40,829,900</u>
Net position, end of year					<u>\$ 27,590,650</u>	<u>\$ 12,185,435</u>	<u>\$ 39,776,085</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		CDBG Grants	Impact Fees				
ASSETS							
Cash and investments	\$ 2,338,973	\$ 833,587	\$ 4,183,690	\$ -	\$ -	\$ 3,240,397	\$ 10,596,647
Restricted cash and investments with fiscal agents	-	-	-	1,052,501	-	-	1,052,501
Accounts receivable	547,052	-	-	-	-	6,085	553,137
Intergovernmental receivables	293,842	-	-	-	697,409	1,094,005	2,085,256
Notes receivable, net	-	20,484,612	-	-	-	1,672,855	22,157,467
Due from other funds	1,260,091	-	-	-	-	-	1,260,091
Prepaid expenses	824	-	-	-	-	-	824
Prepaid bond insurance	-	-	-	24,183	-	-	24,183
Land held for resale	-	-	-	-	-	104,000	104,000
Advances to other funds	536,805	-	-	-	-	-	536,805
Total assets	\$ 4,977,587	\$ 21,318,199	\$ 4,183,690	\$ 1,076,684	\$ 697,409	\$ 6,117,342	\$ 38,370,911
LIABILITIES							
Accounts payable	\$ 154,387	\$ 198,928	\$ 302,449	\$ -	\$ 178,242	\$ 104,193	\$ 938,199
Deposits	6,000	-	-	-	-	-	6,000
Due to other funds	-	-	-	-	519,159	730,995	1,250,154
Advances from other funds	-	-	536,805	-	-	-	536,805
Total liabilities	160,387	198,928	839,254	-	697,401	835,188	2,731,158
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	20,484,612	-	-	-	2,161,639	22,646,251
Total deferred inflows of resources	-	20,484,612	-	-	-	2,161,639	22,646,251
FUND BALANCES							
Nonspendable:							
Prepaid expenses	824	-	-	-	-	-	824
Advances to other funds	536,805	-	-	-	-	-	536,805
Restricted for:							
Highway and streets	-	-	-	-	-	2,969,204	2,969,204
Community development	-	634,659	-	-	-	230,063	864,722
Construction projects	-	-	3,344,436	545,822	8	-	3,890,266
Debt service	-	-	-	530,862	-	-	530,862
Committed to:							
Emergency contingency	910,223	-	-	-	-	-	910,223
Assigned to:							
General government	8,027	-	-	-	-	-	8,027
Public safety	152,268	-	-	-	-	-	152,268
Culture and recreation	63,529	-	-	-	-	-	63,529
Community development	2,594	-	-	-	-	-	2,594
Unassigned	3,142,930	-	-	-	-	(78,752)	3,064,178
Total fund balances	4,817,200	634,659	3,344,436	1,076,684	8	3,120,515	12,993,502
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,977,587	\$ 21,318,199	\$ 4,183,690	\$ 1,076,684	\$ 697,409	\$ 6,117,342	\$ 38,370,911

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

CITY OF CHOWCHILLA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balances - governmental funds	\$ 12,993,502
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,632,432
Pension related deferrals are reported as deferred outflows of resources on the statement of net position:	
Contributions to the pension plan subsequent to the measurement date	877,908
Deferred outflows of resources	1,719,394
Deferred inflows of resources	(159,655)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds and loans payable	(18,521,792)
Net pension liability	(8,874,223)
Interest payable on long-term debt does not require the use of current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(2,019,636)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	22,646,251
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(703,531)</u>
Net position of governmental activities	<u>\$ 27,590,650</u>

CITY OF CHOWCHILLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		CDBG Grants	Impact Fees				
REVENUES							
Taxes	\$ 3,028,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,028,728
Licenses and permits	406,970	-	-	-	-	3,525	410,495
Fines and penalties	182,261	-	-	-	-	-	182,261
Intergovernmental revenues	2,349,083	353,595	-	-	378,350	2,357,937	5,438,965
Use of money and property	195,741	5,394	36,384	6,040	-	16,166	259,725
Charges for services	110,673	-	69,705	-	-	352,132	532,510
Loan repayments	-	-	-	-	-	33,982	33,982
Legal settlement	511,702	-	-	-	-	-	511,702
Miscellaneous	154,864	-	504	44,566	63,837	16,866	280,637
Total revenues	6,940,022	358,989	106,593	50,606	442,187	2,780,608	10,679,005
EXPENDITURES							
Current:							
General government	1,221,347	-	-	-	-	-	1,221,347
Public safety	3,544,676	-	-	-	-	-	3,544,676
Highways and streets	-	-	-	-	-	1,233,296	1,233,296
Culture and recreation	504,497	-	-	-	-	-	504,497
Community development	679,417	288,161	-	-	-	113,648	1,081,226
Capital outlay	2,554,139	-	-	-	937,979	333,349	3,825,467
Debt service:							
Principal	-	-	-	297,978	-	157,660	455,638
Interest	-	-	-	338,728	-	1,443	340,171
Bond issuance costs	-	-	-	172,590	-	-	172,590
Fiscal charges	-	-	-	4,805	-	-	4,805
Total expenditures	8,504,076	288,161	-	814,101	937,979	1,839,396	12,383,713
Excess (deficiency) of revenues over (under) expenditures	(1,564,054)	70,828	106,593	(763,495)	(495,792)	941,212	(1,704,708)
OTHER FINANCING SOURCES (USES)							
Transfers in	2,942,487	33,069	-	535,004	495,926	805,172	4,811,658
Transfers out	(401,809)	(17,348)	-	(2,942,352)	(135)	(1,450,014)	(4,811,658)
Proceeds from sales of capital assets	9,312	-	-	-	-	5,737	15,049
Proceeds from bonds issuance	-	-	-	3,630,000	-	-	3,630,000
Proceeds from bonds premiums	-	-	-	173,715	-	-	173,715
Total other financing sources (uses)	2,549,990	15,721	-	1,396,367	495,791	(639,105)	3,818,764
Net change in fund balances	985,936	86,549	106,593	632,872	(1)	302,107	2,114,056
Fund balances, beginning of year	3,831,264	548,110	3,237,843	443,812	9	2,818,408	10,879,446
Fund balances, end of year	\$ 4,817,200	\$ 634,659	\$ 3,344,436	\$ 1,076,684	\$ 8	\$ 3,120,515	\$ 12,993,502

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

CITY OF CHOWCHILLA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 2,114,056
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:</p>	
Capital outlay	3,904,002
Depreciation expense	(860,700)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.</p>	
	(15,271)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Proceeds from long-term debt	(3,803,715)
Repayment of the principal of long-term debt	455,478
Amortization on bond discounts and premiums	1,654
<p>Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. This amount represents the change in accrued interest payable not reported in governmental funds.</p>	
	(304,537)
<p>Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	(1,038,031)
<p>The distribution of housing loans and corresponding payments that were recognized in the governmental funds are not recognized in the statement of activities.</p>	
	(64,887)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	447,397
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(234,654)
<p>The net revenue of certain activities of the internal service funds is reported with governmental activities.</p>	
	<u>2,502</u>
Change in net position of governmental activities	<u>\$ 603,294</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds				Governmental	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds	
				Total		
ASSETS						
Current assets:						
Cash and investments	\$ 2,324,260	\$ 211,783	\$ 1,318,129	\$ 1,595,323	\$ 5,449,495	\$ 175,142
Restricted cash and investments with fiscal agents	3,577,128	-	552,696	-	4,129,824	-
Accounts receivable, net	205,831	118,669	153,279	24,842	502,621	-
Intergovernmental receivables	848,336	5,005	-	30,949	884,290	-
Prepaid expenses	-	-	-	-	-	44,725
Prepaid bond insurance	76,141	-	31,751	2,333	110,225	-
Total current assets	7,031,696	335,457	2,055,855	1,653,447	11,076,455	219,867
Noncurrent assets:						
Capital assets:						
Nondepreciable	4,596,000	-	3,969,611	607,159	9,172,770	-
Depreciable, net of accumulated depreciation	5,631,441	-	3,968,108	262,425	9,861,974	12,779
Total noncurrent assets	10,227,441	-	7,937,719	869,584	19,034,744	12,779
Total assets	17,259,137	335,457	9,993,574	2,523,031	30,111,199	232,646
DEFERRED OUTFLOWS OF RESOURCES						
Contributions to pension plan in current fiscal year	63,901	-	49,772	8,848	122,521	42,001
Deferred outflows of resources from pensions	147,622	1,974	117,901	22,457	289,954	99,097
Total deferred outflows of resources	211,523	1,974	167,673	31,305	412,475	141,098
LIABILITIES						
Current liabilities:						
Accounts payable	620,372	165,214	130,207	7,895	923,688	12,331
Accrued payroll	-	-	-	-	-	220,252
Deposits	179,345	-	-	-	179,345	-
Due to other funds	-	-	-	9,937	9,937	-
Accrued interest	34,114	-	12,206	-	46,320	-
Unearned revenue	-	-	-	9,250	9,250	-
Compensated absences	-	-	-	-	-	250,235
Current portion of long-term debt	145,150	-	115,000	-	260,150	-
Total current liabilities	978,981	165,214	257,413	27,082	1,428,690	482,818
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	162,254
Net pension liability	744,061	-	585,000	104,000	1,433,061	486,661
Long-term debt	12,069,527	-	3,278,828	-	15,348,355	-
Total noncurrent liabilities	12,813,588	-	3,863,828	104,000	16,781,416	648,915
Total liabilities	13,792,569	165,214	4,121,241	131,082	18,210,106	1,131,733
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources from pensions	27,895	207	23,308	4,257	55,667	18,008
Total deferred inflows of resources	27,895	207	23,308	4,257	55,667	18,008
NET POSITION (DEFICIT)						
Net investment in capital assets	4,755,794	-	5,055,393	869,584	10,680,771	12,779
Restricted:						
Debt service	40,089	-	41,194	-	81,283	-
Unrestricted	(1,145,687)	172,010	920,111	1,549,413	1,495,847	(788,776)
Total net position (deficit)	\$ 3,650,196	\$ 172,010	\$ 6,016,698	\$ 2,418,997	12,257,901	\$ (775,997)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					(72,466)	
Net position of business-type activities					\$ 12,185,435	

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

CITY OF CHOWCHILLA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,214,033	\$ 1,381,028	\$ 1,450,316	\$ 233,476	\$ 546,367
Miscellaneous	80,662	1,719	92,982	1,687	1,244
Total operating revenues	2,294,695	1,382,747	1,543,298	235,163	547,611
Operating expenses:					
Personnel services	361,207	2,110	350,931	73,749	306,489
Materials, supplies and services	4,106,200	1,354,200	606,088	102,771	236,589
Depreciation	251,224	-	169,757	21,032	1,117
Total operating expenses	4,718,631	1,356,310	1,126,776	197,552	544,195
Operating income (loss)	(2,423,936)	26,437	416,522	37,611	3,416
Nonoperating revenues (expenses):					
Use of money and property	32,681	2,278	13,734	12,501	31
Taxes	-	-	-	13,998	-
Grants - capital	19,334	-	19,334	46,405	-
Grants - operating	-	5,005	-	10,000	-
Gain (loss) on sale of assets	(85,851)	-	4,379	-	-
Interest expense	(358,079)	-	(148,660)	-	-
Total nonoperating revenues (expenses)	(391,915)	7,283	(111,213)	82,904	31
Income (loss) before capital contributions and transfers	(2,815,851)	33,720	305,309	120,515	3,447
Capital contributions	698,252	-	-	-	-
Change in net position	(2,117,599)	33,720	305,309	120,515	3,447
Net position (deficit), beginning of year	5,767,795	138,290	5,711,389	2,298,482	(779,444)
Net position (deficit), end of year	\$ 3,650,196	\$ 172,010	\$ 6,016,698	\$ 2,418,997	\$ (775,997)
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				946	
Changes in net position of business-type activities				\$ (1,657,109)	

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

CITY OF CHOWCHILLA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 2,225,492	\$ 1,377,724	\$ 1,467,150	\$ 232,512	\$ 5,302,878	\$ 546,367
Payments to suppliers	(6,063,631)	(1,325,685)	(641,043)	(95,088)	(8,125,447)	(248,877)
Payments to or received from employees	(410,829)	-	(396,936)	(70,559)	(878,324)	(250,681)
Other operating revenues	<u>80,662</u>	<u>1,719</u>	<u>92,982</u>	<u>1,687</u>	<u>177,050</u>	<u>1,244</u>
Net cash provided by (used in) operating activities	<u>(4,168,306)</u>	<u>53,758</u>	<u>522,153</u>	<u>68,552</u>	<u>(3,523,843)</u>	<u>48,053</u>
Cash flows from noncapital financing activities:						
Grants received	-	-	-	10,000	10,000	-
Loans from other funds	-	-	-	9,937	9,937	-
Taxes received	-	-	-	<u>13,998</u>	<u>13,998</u>	-
Net cash provided by (used in) noncapital financing activities	-	-	-	<u>33,935</u>	<u>33,935</u>	-
Cash flows from capital and related financing activities:						
Proceeds from long-term debt	2,695,649	-	-	-	2,695,649	-
Principal paid	(86,250)	-	(23,003)	-	(109,253)	-
Interest paid	(325,735)	-	(141,448)	-	(467,183)	-
Grants received	19,334	-	19,334	-	38,668	-
Acquisition of capital assets	(2,481,998)	-	(2,563,615)	23,631	(5,021,982)	-
Proceeds from the sale of assets	-	-	<u>4,379</u>	-	<u>4,379</u>	-
Net cash provided by (used in) capital and related financing activities	<u>(179,000)</u>	-	<u>(2,704,353)</u>	<u>23,631</u>	<u>(2,859,722)</u>	-
Cash flows from investing activities:						
Interest received	32,681	2,278	13,734	-	48,693	31
Rents received	-	-	-	<u>12,501</u>	<u>12,501</u>	-
Net cash provided by (used in) investing activities	<u>32,681</u>	<u>2,278</u>	<u>13,734</u>	<u>12,501</u>	<u>61,194</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	(4,314,625)	56,036	(2,168,466)	138,619	(6,288,436)	48,084
Cash and cash equivalents, beginning of year	<u>10,216,013</u>	<u>155,747</u>	<u>4,039,291</u>	<u>1,456,704</u>	<u>15,867,755</u>	<u>127,058</u>
Cash and cash equivalents, end of year	<u>\$ 5,901,388</u>	<u>\$ 211,783</u>	<u>\$ 1,870,825</u>	<u>\$ 1,595,323</u>	<u>\$ 9,579,319</u>	<u>\$ 175,142</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ (2,423,936)	\$ 26,437	\$ 416,522	\$ 37,611	\$ (1,943,366)	\$ 3,416
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	251,224	-	169,757	21,032	442,013	1,117
(Increase) decrease in:						
Accounts receivable	1,897	(3,304)	16,834	(1,011)	14,416	-
Prepaid expenses	-	-	-	-	-	(5,507)
Deferred outflows of resources from pensions	21,175	2,493	21,376	3,131	48,175	38,384
Increase (decrease) in:						
Accounts payable and other liabilities	(1,957,431)	28,515	(34,955)	7,683	(1,956,188)	68,036
Deposits	9,562	-	-	-	9,562	-
Compensated absences	-	-	-	47	47	81,450
Net pension liability	(67,923)	-	(65,444)	248	(133,119)	(133,605)
Deferred inflows of resources from pension	(2,874)	(383)	(1,937)	(189)	(5,383)	(5,238)
Net cash provided by (used in) operating activities	<u>\$ (4,168,306)</u>	<u>\$ 53,758</u>	<u>\$ 522,153</u>	<u>\$ 68,552</u>	<u>\$ (3,523,843)</u>	<u>\$ 48,053</u>
Schedule of Non-Cash Capital and Related Financing Activities:						
Contributions of capital assets	\$ 698,252	\$ -	\$ -	\$ -	\$ -	\$ -
Disposal of capital assets	(85,851)	-	-	-	-	-

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

CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
ASSETS		
Cash and investments (in City investment pool)	\$ 1,688,150	\$ 171,254
Restricted cash with fiscal agents	2,064,321	-
Accounts receivable (net)	15,339	43,750
Prepaid expenses	-	20,003
Prepaid bond insurance	-	53,273
Land held for resale	-	338,000
Capital assets:		
Nondepreciable	-	256,903
Depreciable, net of accumulated depreciation	-	<u>1,331,552</u>
Total assets	<u>\$ 3,767,810</u>	<u>\$ 2,214,735</u>
LIABILITIES		
Accounts payable	\$ -	\$ 32
Accrued interest	-	72,503
Long-term debt due within one year	-	240,000
Long-term debt due in more than one year	-	5,920,820
Agency obligations	<u>3,767,810</u>	<u>-</u>
Total liabilities	<u>\$ 3,767,810</u>	<u>6,233,355</u>
NET POSITION		
Held in trust for Successor Agency activities		<u>\$ (4,018,620)</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Successor Agency Trust Fund
ADDITIONS	
Taxes	\$ 794,257
Use of money and property	3,594
Miscellaneous	<u>115</u>
Total additions	<u>797,966</u>
DEDUCTIONS	
Administrative expenses	349,885
Interest	165,851
Depreciation	<u>29,002</u>
Total deductions	<u>544,738</u>
Change in net position	253,228
Net position, beginning of year	<u>(4,271,848)</u>
Net position (deficit), ending of year	<u>\$ (4,018,620)</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Chowchilla (City) was incorporated on February 7, 1923, as a municipal corporation under the General Laws of the State of California. The City operates as a self-governing local government unit within the State of California. A five-member City Council appoints a City Administrator who administers the daily affairs under the policy guidance of the City Council. The City has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a City Council that passes laws and determines broad policies. The City Council also oversees the operations of the City and approves all budgets, fund transfers, and fund balance reserves. Services provided by the City include public safety, streets and roads, water, sanitation, public improvements, culture and recreation, parks, building inspections, planning and zoning, redevelopment, and general administration.

Blended Component Units

A primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Based upon the application of these criteria, the following is a brief description of each component unit included within the City's reporting entity. All such component units have been "blended" as though they are part of the primary government because the component unit's governing body is substantially the same as the City's primary government and there is a financial benefit or burden relationship between the City and the component unit, management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it, or the City is entirely or almost entirely responsible for the repayment of the debt of the component unit. Financial information for these component units can be obtained from the City's Administrative Services Department and from the City's website at <http://ci.chowchilla.ca.us>.

The **Public Financing Authority** (Authority) of the City of Chowchilla was formed on August 14, 1989, for the purpose of assisting the City in the financing of the acquisition, construction and installation of public capital improvements for the use, benefit and enjoyment of the citizens served by the City. The City Council serves as the governing board of the Authority and, therefore, is financially accountable for the operations of the Authority.

The **Chowchilla Housing Authority** (Housing Authority) was established on January 24, 2012. The Housing Authority was activated pursuant to State Law Section 34240 of the California Health and Safety Code, which allows for every City to establish a housing authority. The Housing Authority is designed to protect local housing funds and programs, provide new revenue opportunities for affordable housing programs, serve the public interest, promote public safety and welfare, and ensure decent, safe sanitary and affordable housing accommodations to persons of low income.

Since the City Council serves as the governing body of these entities, they are considered blended component units. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. 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 generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The *Statement of Activities* presents a comparison between direct expense and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include: 1) fines, fees, and charges paid by the recipients of goods and 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 instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, interfund advances to/advances from, and transfers in/transfers out.

Fund Financial Statements – The fund financial statements provide information about the City's funds. 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 and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

The **Community Development Block Grant Special Revenue Fund** accounts for the revenues received by the various CDBG grants, the uses of those funds (i.e., grants and loans for housing rehabilitation projects), as well as the receipt and re-use of program income generated by the repayment of CDBG loans.

The **Impact Fees Special Revenue Fund** accounts for the accumulation of resources from developers for the expected future capital costs of the City as a result of development. Impact fees collected are restricted for the use of general, police, fire and parks facilities; and streets and roads, signalization, water, sewer and storm drain capital projects.

The **Debt Service Fund** accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The **Capital Project Fund** accounts for the acquisition and construction of the City's major capital projects, other than those financed by proprietary funds.

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows for each major enterprise fund and non-major fund.

The City has five enterprise funds – water, solid waste, sewer, storm drain and airport. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that the costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

The **Water Enterprise Fund** accounts for the provision of water to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, distribution, maintenance, and debt service.

The **Solid Waste Enterprise Fund** accounts for the revenues and expenses for operation and maintenance of the solid waste system.

The **Sewer Enterprise Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and debt service.

Additionally, the government reports the following fund types:

Internal Service Funds:

The **Fleet Management Internal Service Fund** accounts for the costs associated with maintaining the citywide fleet of vehicles and rolling stock heavy equipment. Charges are assessed to each department on the basis of time/materials necessary to maintain their equipment.

The **Information Technology Internal Service Fund** accounts for the costs of providing computer and information services. User charges are recovered from other City departments that utilized the services provided.

The **Employee Benefits Internal Service Fund** accounts for compensated absences and other employee benefits that are provided by the City.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Funds:

The **Agency Fund** accounts for assets held by the City as a trustee or as an agent for special districts.

The **Successor Agency of the Redevelopment Agency** accounts for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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 taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, 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 claims and judgments and compensated absences, are recorded only when payment is due. General capital assets 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 nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants and subsidies, result from nonexchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Cash Equivalents

For purposes of reporting cash flow, the City considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

Cash and Investments

The City maintains a cash and investment pool that is available for all funds. Each fund-type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their quarterly cash balances.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Cash and Investments (Continued)

The City pools cash and investments with the City Treasurer except for investments managed by fiscal agents under bonded debt agreements. Interest from bank accounts and investments are allocated quarterly to the various funds based on the fund's contribution to the pool. The City has stated investments at fair value in the statement of net position and balance sheet. The fair value of investments is based on published market prices and quotations from major investment brokers.

Cash and investments with fiscal agent represent funds held by various trustees from proceeds of the issuance of bonds in order to establish required reserve funds and to pay bond issuance costs per the respective trust agreements.

Credit Risk: The City's investment policy limits certain types of investments to various ratings.

Custodial Credit Risk—Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial risk that requires collateralization on certificates of deposit and repurchase (and reverse) agreements. In addition, the City maintains custodial agreements with certain independent third parties.

Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer.

Interest Rate Risk: Reserve funds may be invested in securities exceeding 10 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Restricted Assets

Certain proceeds of the general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Restricted cash and investments" is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and for payment of construction projects undertaken by the City.

Land Held for Resale

Land held for resale is recorded in the Low and Moderate Housing Asset Special Revenue Fund. Land held for resale is valued at the lower of cost or estimated net realizable value.

Internal Balances

Interfund transactions are reflected as loans, services provided or used, or reimbursements or transfers. Loans reported as receivables and payables, as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the fund financial statements and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Notes Receivable

The City engages in programs designed to encourage construction or improvement of housing for persons with low to moderate income and also to encourage business development. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. For financial statement purposes, the City has established an estimated allowance for potentially uncollectible loans. The balance of notes receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

Capital Assets

Capital assets, which include public domain (infrastructure) capital assets consisting of certain improvements, including streets (pavements, medians, curbs/gutters, sidewalks, traffic signals, monument signs and bridges), storm drains and water/sewer systems and improvements, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Generally, capital asset acquisitions in excess of \$5,000 (general capital assets) and \$30,000 (infrastructure) are capitalized if they have an expected useful life of one year or more. Acquisitions of capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Donated capital assets are recorded at their fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20-50 years
Buildings and Improvements	20-50 years
Machinery, Equipment, and Vehicles	6-10 years
Infrastructure	20-100 years

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused leave time. Permanent employees earn from 12 to 30 vacation days per year depending upon their length of employment. Accumulated vacation days can be carried forward up to 2 years. Each year, by September 30, certain employees may request to receive a cash payment for the value of all or a portion of their accumulated vacation leave. Upon termination or retirement, employees are compensated for the value of accrued vacation leave.

For full-time employees, sick leave is accumulated at the rate of 12 days per year up to a maximum of 250 days. Employees may convert 25% of unused sick leave to vacation time during a fiscal year up to the limit of the employee's maximum vacation accrual level. Upon retirement, employees may also convert a portion of their unused sick leave into service credit through the California Public Employees Retirement System.

The vacation and sick leave balances, along with compensatory leave and holiday hours are reflected in the Employee Benefits Internal Service Fund in the Statement of Net Position.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are expensed immediately.

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

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 9 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as a liability when incurred and is not recognized in the governmental funds financial statements.

Unearned Revenue

Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Unavailable Revenue

In the governmental fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that is properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

Net Position

The government-wide and enterprise fund financial statements utilize a net position presentation. Net position is capitalized as net investment in capital assets, restricted and unrestricted.

- ♦ *Net investment in capital assets* – 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 net position balance.
- ♦ *Restricted* – represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ♦ *Unrestricted* – represents net position of the City, not restricted for any project or other purpose.

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

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

Nonspendable Fund Balance

Amounts cannot be spent either because they are in nonspendable form (such as inventory or prepaid expense, and long-term loans and notes receivable) or because they are legally or contractually required to be maintained intact (such as principal of a permanent fund).

Restricted Fund Balance

Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, contributors, or laws or regulations of other governments, etc.) or imposed by law through constitutional provisions or enabling legislation.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Fund Balances (Continued)

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances in all other funds.

In circumstances when expenditures are made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which established 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Property Tax Calendar

Madera County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocations factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is liened based on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax assessed is prorated.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31, and becomes delinquent after August 31.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 16,221,284
Restricted cash and investments with fiscal agents	5,182,325
Statement of Fiduciary Net Position:	
Cash and investments	1,859,404
Restricted cash and investments	<u>2,064,321</u>
 Total cash and investments	 <u>\$ 25,327,334</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 2,200
Deposits with financial institutions	6,823,677
Investments	<u>18,501,457</u>
 Total cash and investments	 <u>\$ 25,327,334</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's cash deposits was \$6,823,677 at June 30, 2018. Bank balances were \$7,050,632, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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

In accordance with Section 53601 of the California Government Code and the City's investment policy, the City is authorized to invest in Certificates of Deposit, the California Local Agency Investment Fund (LAIF), U.S. Treasury Obligations, U.S. Government Agencies, Medium-Term Notes, Bankers' Acceptances, and Commercial Paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor Services, Inc. or Standards and Poor's Corporation. In accordance with the City's investment policy, the City will not invest in repurchase agreements, reverse repurchase agreements, or any other type of investments prohibited by California Government Code Section 53601.

Disclosure 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.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
State investment pool	\$ 11,254,811	\$ 11,254,811	\$ -	\$ -	\$ -
Held by bond trustee:					
Treasury Obligation Funds	2,509,643	2,509,643	-	-	-
Money Market Funds	4,737,003	4,737,003	-	-	-
Total	<u>\$ 18,501,457</u>	<u>\$ 18,501,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

Investment Type	Total	Ratings as of Year-End		
		AAAm	AA	Not Rated
State investment pool	\$ 11,254,811	\$ -	\$ -	\$ 11,254,811
Held by bond trustee:				
Treasury Obligation Funds	2,509,643	2,509,643	-	-
Money Market Funds	<u>4,737,003</u>	<u>-</u>	<u>4,737,003</u>	<u>-</u>
Total	<u>\$ 18,501,457</u>	<u>\$ 2,509,643</u>	<u>\$ 4,737,003</u>	<u>\$ 11,254,811</u>

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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's investments are as follows:

Issuer	Reported Amount
US Bank Money Market	\$ 4,737,003

Investments in any one issuer that represent 5% or more of total investments by reporting unit (primary government, government activities, major funds, nonmajor funds in aggregate, etc.) are as follows:

\$445,322 of cash and investments (including amounts held by bond trustee) reported in the Debt Service Funds are held in the form of the above-described Treasury Obligation Fund.

\$607,179 of cash and investments (including amounts held by bond trustee) reported in the Debt Service Funds are held in the form of the above-described Money Market Fund.

\$3,577,128 of cash and investments (including amounts held by bond trustee) reported in the Water Fund are held in the form of the above-described Money Market Funds.

\$552,696 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described Money Market Funds.

\$2,064,321 of cash and investments (including amounts held by bond trustee) reported in the Agency Fund are held in the form of the above-described Treasury Obligation Fund.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2018:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 inputs</u>
Debt securities:				
Treasury Obligation Fund	\$ 2,509,643	\$ 2,509,643	\$ -	\$ -
	2,509,643	<u>\$ 2,509,643</u>	<u>\$ -</u>	<u>\$ -</u>
Money Market Funds	4,737,003			
State Investment Pool	11,254,811			
	<u>\$ 18,501,457</u>			

Treasury obligations are valued at marked to market based on quoted market closing prices.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of \$11,254,811. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – RECEIVABLES

Receivables as of year-end for the City's individual major funds and aggregate nonmajor, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				
	General	CDBG Grants Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables:					
Accounts receivable	\$ 547,052	\$ -	\$ -	\$ 6,085	\$ 553,137
Intergovernmental receivables	293,842	-	697,409	1,094,005	2,085,256
Notes receivable, net	-	20,484,612	-	1,672,855	22,157,467
Less: allowance for for uncollectibles	-	-	-	-	-
Net receivables	<u>\$ 840,894</u>	<u>\$ 20,484,612</u>	<u>\$ 697,409</u>	<u>\$ 2,772,945</u>	<u>\$ 24,795,860</u>

	Business-Type Activities - Enterprise Funds					
	Water	Solid Waste	Sewer	Nonmajor		Total
Storm Drain				Airport		
Receivables:						
Accounts receivable	\$ 227,431	\$ 124,169	\$ 158,379	\$ 24,489	\$ 1,953	\$ 536,421
Intergovernmental receivables	848,336	5,005	-	-	30,949	884,290
Less: allowance for for uncollectibles	(21,600)	(5,500)	(5,100)	(1,600)	-	(33,800)
Net receivables	<u>\$ 1,054,167</u>	<u>\$ 123,674</u>	<u>\$ 153,279</u>	<u>\$ 22,889</u>	<u>\$ 32,902</u>	<u>\$ 1,386,911</u>

Receivables are presented on the Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable, net	\$ 553,137	\$ 502,621	\$ 1,055,758
Intergovernmental receivables	2,085,256	884,290	2,969,546
Notes receivable, net	22,157,467	-	22,157,467
	<u>\$ 24,795,860</u>	<u>\$ 1,386,911</u>	<u>\$ 26,182,771</u>

Receivables in governmental funds which are not expected to be collected in one year are as follows:

Notes receivable in CDBG Grants Special Revenue Fund	\$ 20,484,612
Notes receivable in Home Investment Program Grants Special Revenue Fund	1,499,622
Notes receivable in EDBG Grants Special Revenue Fund	95,799
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	77,434
Total	<u>\$ 22,157,467</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERNAL BALANCES

Due to and due from balances at June 30, 2018 are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,260,091	\$ -
Capital Projects Fund	-	519,159
Nonmajor Funds:		
SB1 Special Revenue Fund	-	17,781
RSTP Special Revenue Fund	-	252,866
Transit System Special Revenue Fund	-	414,789
Low and Moderate Low Income Housing Asset Fund	-	45,559
Enterprise Funds:		
Nonmajor Funds:		
Airport	-	9,937
Total	<u>\$ 1,260,091</u>	<u>\$ 1,260,091</u>

The “due from” balance of \$1,260,091 in the General Fund listed above represents loans made to other funds to cover operating cash deficit.

Advances to and due from balances at June 30, 2018 are as follows:

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 536,805	\$ -
Impact Fees Special Revenue Fund	-	536,805
Total	<u>\$ 536,805</u>	<u>\$ 536,805</u>

The balance of \$536,805 for advances from other funds in the Impact Fees Special Revenue Fund consists of cash advances from the General Fund and will be paid back with future impact fees. The City has indicated that there are no plans to collect on the advance within the next year.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2018 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 2,942,487 (2)	\$ 401,809 (1)
CDBG Grants Special Revenue Fund	33,069 (4)	17,348 (4)
Debt Service Fund	535,004 (1),(3)	2,942,352 (2)
Capital Projects Fund	495,926 (1),(3)	135 (2)
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	451,338 (3)
SB1 Special Revenue Fund	-	88,419 (3)
RSTP Special Revenue Fund	-	348,645 (3)
Street and Road Fund (LTF) Special Revenue Fund	768,334 (3)	147,697 (3)
Measure T Special Revenue Fund	-	375,317 (3)
Transit System Special Revenue Fund	13,961 (3)	-
HOME Investment Partnership Program Special Revenue Fund	22,877 (4)	-
EDBG Grant Special Revenue Fund	-	38,598 (4)
	<u> </u>	<u> </u>
Total	<u>\$ 4,811,658</u>	<u>\$ 4,811,658</u>

- (1) The General Fund transferred \$14,502 to the Capital Projects Fund to cover the SB1 match for the Fuller Project. \$358,633 and \$28,674 were transferred to the Debt Service Fund for the debt service payments of the 2005 Civic Center Bond and the 2017 Taxable Lease Revenue Bonds.
- (2) The Debt Service Fund transferred \$2,942,352 of debt proceeds related to the 2017 Tax Lease Revenue Bonds to the General Fund to finance the City's clean energy project. The Capital Projects Fund transferred \$135 to the General Fund to close out the VMP project fund.
- (3) The Gas Tax Fund transferred \$435,098 to the Street and Roads (LTF) Fund for street maintenance and operational costs and \$16,240 was transferred to cover project specific costs associated with street and road improvements. The RSTP Fund transferred \$249,214 and \$99,431 to the Street and Roads (LTF) Fund for the Fuller and Robertson & 11th street projects, along with street maintenance and operational costs. The SB1 Fund transferred \$88,419 for the Fuller Street Project. Streets and Roads (LTF) transferred \$147,697 to the Debt Service Fund for the PFA Streets debt service payment. The Measure T Fund transferred \$333,237 to the Street and Roads (LTF) Fund for street maintenance and operational costs, \$28,119 to the Capital Projects Fund for the Fuller Street project, and \$13,961 to the Transit System Fund for the new bus match.
- (4) EDBG Grant Fund transferred \$33,068 to the Community Development Block Grant Fund to cover costs associated with grant maintenance service. \$5,529 was transferred from the Community Block Grant Fund and EDBG Grant Fund to the Home Investment Partnership Program Fund to cover contracted services for grant maintenance.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2018 was as follows:

Governmental Activities:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 547,447	\$ -	\$ -	\$ 547,447
Construction in progress	864,108	3,225,567	(1,070,791)	3,018,884
Total capital assets, not being depreciated	<u>1,411,555</u>	<u>3,225,567</u>	<u>(1,070,791)</u>	<u>3,566,331</u>
Capital assets, being depreciated:				
Land improvements	1,355,230	-	-	1,355,230
Buildings and improvements	6,862,134	544,106	(60,657)	7,345,583
Machinery, equipment and vehicles	3,965,209	489,742	(540,308)	3,914,643
Infrastructure	15,789,818	715,378	-	16,505,196
Total capital assets, being depreciated	<u>27,972,391</u>	<u>1,749,226</u>	<u>(600,965)</u>	<u>29,120,652</u>
Less accumulated depreciation for:				
Land improvements	(873,412)	(32,616)	-	(906,028)
Buildings and improvements	(2,407,236)	(157,369)	52,785	(2,511,820)
Machinery, equipment and vehicles	(2,332,685)	(250,111)	532,909	(2,049,887)
Infrastructure	(7,152,316)	(421,721)	-	(7,574,037)
Total accumulated depreciation	<u>(12,765,649)</u>	<u>(861,817)</u>	<u>585,694</u>	<u>(13,041,772)</u>
Total capital assets being depreciated, net	<u>15,206,742</u>	<u>887,409</u>	<u>(15,271)</u>	<u>16,078,880</u>
Governmental activities capital assets, net	<u>\$ 16,618,297</u>	<u>\$ 4,112,976</u>	<u>\$ (1,086,062)</u>	<u>\$ 19,645,211</u>

Depreciation expense was charged to the following functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:

General government	\$ 108,772
Public safety	202,560
Highways and streets	487,298
Culture and recreation	62,070
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,117</u>
Total depreciation expense - governmental activities	<u>\$ 861,817</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities ended June 30, 2018 was as follows:

Business-Type Activities

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 1,947,728	\$ -	\$ -	\$ 1,947,728
Construction in progress	2,890,072	4,334,970	-	7,225,042
Total capital assets, not being depreciated	<u>4,837,800</u>	<u>4,334,970</u>	<u>-</u>	<u>9,172,770</u>
Capital assets, being depreciated:				
Land improvements	1,253,762	-	-	1,253,762
Buildings and improvements	2,646,600	-	(113,500)	2,533,100
Machinery, equipment, and vehicles	614,982	60,821	(21,100)	654,703
Infrastructure	14,421,235	129,295	-	14,550,530
Total capital assets, being depreciated	<u>18,936,579</u>	<u>190,116</u>	<u>(134,600)</u>	<u>18,992,095</u>
Less accumulated depreciation for:				
Land improvements	(675,987)	(41,665)	-	(717,652)
Buildings and improvements	(1,356,292)	(51,804)	27,649	(1,380,447)
Machinery, equipment, and vehicles	(370,763)	(44,287)	21,100	(393,950)
Infrastructure	(6,333,815)	(304,257)	-	(6,638,072)
Total accumulated depreciation	<u>(8,736,857)</u>	<u>(442,013)</u>	<u>48,749</u>	<u>(9,130,121)</u>
Total capital assets being depreciated, net	<u>10,199,722</u>	<u>(251,897)</u>	<u>(85,851)</u>	<u>9,861,974</u>
Business-type activities capital assets, net	<u>\$ 15,037,522</u>	<u>\$ 4,083,073</u>	<u>\$ (85,851)</u>	<u>\$ 19,034,744</u>

Depreciation expense was charged to the following functions/programs of the governmental activities and business-type activities of the primary government as follows:

Business-Type Activities:

Water	\$ 251,224
Sewer	169,757
Storm drain	6,349
Airport	<u>14,683</u>
Total depreciation expense - business-type activities	<u>\$ 442,013</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2018:

	June 30, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 526,458	\$ -	\$ (118,978)	\$ 407,480	\$ 129,146
2005 Civic Center Bond	3,565,000	-	-	3,565,000	-
2016 Civic Center Bond	933,000	-	(179,000)	754,000	-
Measure T Interprogram Loan	315,000	-	(157,500)	157,500	157,500
2017 Series Lease Revenue Bonds	-	3,630,000	-	3,630,000	-
State of California NSP Loan	9,913,215	-	-	9,913,215	-
Add: Premiums	-	-	167,725	167,725	-
Less: Discounts	(77,464)	-	4,336	(73,128)	-
Compensated absences	331,039	313,915	(232,465)	412,489	250,235
Total Governmental Activities Long-Term Debt	\$ 15,506,248	\$ 3,943,915	\$ (515,882)	\$ 18,934,281	\$ 536,881
Business-Type Activities:					
2001 USDA Sewer Bond	\$ 80,000	\$ -	\$ (20,000)	\$ 60,000	\$ 20,000
2001 Water Certificates of Participation	340,000	-	(65,000)	275,000	65,000
2017 Series Water Bonds	8,160,000	-	-	8,160,000	-
2017 Series Wastewater Bonds	3,310,000	-	-	3,310,000	95,000
State Water Revolving Loan	1,692,502	1,513,489	-	3,205,991	80,150
Add: Premiums	621,767	-	(24,253)	597,514	-
Total Business-Type Activities Long-Term Debt	\$ 14,204,269	\$ 1,513,489	\$ (109,253)	\$ 15,608,505	\$ 260,150

Long-term debt payable at June 30, 2018 is comprised of the following individual issues:

2000 Refunding of 1994 Public Financing Authority (PFA) Revenue Bonds

In 1994, the City issued Revenue Bonds in the aggregate principal amount of \$3,670,000 to finance the acquisition and construction of three projects: (1) capital improvements to the City Hall (the Land Acquisition/Facilities Rehabilitation Project) in the amount of \$495,000; (2) Street/Road Improvement Project in the amount of \$1,890,000; and (3) Wastewater Improvement Project in the amount of \$920,000. The original amount of the note (\$3,670,000) was secured by each project's pledged sources of revenue, including the Street/Road Improvement Project's pledge of the City's net revenues from the state gas tax, and Measure A Funds; the Wastewater Plant Improvement Project's net revenues from user fees collected by the Sewer Enterprise Fund; and General Fund revenues pledged for the Land Acquisition Project in the amount of \$3,106,000, to take advantage of lower interest rates and reduce the total future debt service payments. Semiannual payments range from \$4,433 to \$288,668 and are payable each March 15 and September 15 through 2021.

Annual debt service requirements to maturity of the 2000 Refunding of 1994 PFA Revenue Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 129,146	\$ 21,090
2020	134,187	12,992
2021	144,147	4,433
Total	\$ 407,480	\$ 38,515

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2018 is comprised of the following individual issues:

2005 Civic Center Bond

In 2005, the City issued Revenue Bonds in the aggregate principal amount of \$5,890,000 to refund the 2002 \$1,900,000 Civic Center Project Private Placement Financing and to finance certain public improvements. The original amount of the note (\$5,890,000) was secured by revenues of the Public Financing Authority consisting primarily of lease payments to be received by the Authority from the City under a lease agreement dated July 1, 2005, by and between the Authority and the City which are payable from the City's general fund for lease by the City of certain real property and public facilities located in the City and then constituting the Civic Center Project. Semiannual payments range from \$7,875 to \$357,875 and are payable each January 1 and July 1 through 2035. During the year ended June 30, 2017 the 2005 Civic Center Bond was partially refunded by the 2016 Civic Center Bond for the purposes of savings on future debt service payments.

Annual debt service requirements to maturity of the 2005 Civic Center Bond are as follows:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ -	\$ 158,331
2020	-	158,331
2021	-	158,331
2022	-	158,331
2023	-	158,331
2024-2028	1,145,000	670,578
2029-2033	1,415,000	390,269
2034-2038	<u>1,005,000</u>	<u>69,188</u>
Total	<u>\$ 3,565,000</u>	<u>\$ 1,921,690</u>

2016 Refunding of 2005 Civic Center Bond

In 2016, the City issued Revenue Bonds in the aggregate principal amount of \$1,120,000 to partially refund the 2005 Civic Center Bond. This was done to take advantage of lower interest rates and to save on future debt service payments. As a result, the 2005 Civic Center Bond is considered partially defeased and the liability for that bond is included in the statement of net position. The total debt service payments were reduced by \$49,165. Semiannual payments range from \$1,978 to \$194,978 and are payable each January 1 and July 1 through 2022.

Annual debt service requirements to maturity of the 2016 Refunding of 2005 Civic Center Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ -	\$ 7,729
2020	186,000	13,551
2021	187,000	9,727
2022	188,000	5,884
2023	<u>193,000</u>	<u>1,978</u>
Total	<u>\$ 754,000</u>	<u>\$ 38,869</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

Measure T Interprogram Loan

The City entered into a loan agreement in 2009, with the Madera County Transportation Commission to receive an advance of Measure T revenues. The loan will be a lien of the City's portion of the Regional Rehabilitation/Reconstruction/Maintenance Program and Safe Routes to School and Job Program which is 4.71% of the total Measure T Sales Tax Revenues. Principal is payable annually on June 30 in the amount of \$157,500, with interest payment calculated as the total principal outstanding times the average LAIF rate for the prior calendar year and matures on June 30, 2019.

Annual debt service requirements to maturity of the Measure T Interprogram loan are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 157,500	\$ -
Total	\$ 157,500	\$ -

2017 Series Lease Revenue Bonds

In 2018, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$3,630,000 to finance the costs of clean renewable energy projects and other capital improvements. The original amount of the bonds (\$3,630,000) were secured by a pledge and of and lien on revenues consisting primarily of lease payments from the City. Principal is payable annually on June 1 in amounts ranging from \$10,000 to \$375,000, with interest due semi-annually at variable rates between 2.6% - 5.0% and matures on June 1, 2047.

Annual debt service requirements to maturity of the 2017 Series Lease Revenue Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ -	\$ 158,254
2020	-	158,254
2021	15,000	158,222
2022	20,000	157,826
2023	20,000	157,268
2024-2028	120,000	776,490
2029-2033	300,000	743,137
2034-2038	640,000	663,160
2039-2043	1,235,000	472,750
2044-2047	1,280,000	134,818
Total	\$ 3,630,000	\$ 3,580,179

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

State of California Neighborhood Stabilization Program (NSP) Loan

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development (DHCD). The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of the AMI households in the City. The entire outstanding principal balance plus all accrued but unpaid interest is due in full on the 55th anniversary of the date of the Project's receipt of certificates of occupancy. There is no interest due on the loan; however, any program income resulting from the financing provided to Olivero Ranch will be returned to the DHCD. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2018 was \$9,913,215. All loan payments will be generated by the operation of the housing development by the private developer which will pass through the City and back to the State.

2001 USDA Sewer Bond

The City entered into a loan agreement in 2001 for \$268,325, with the United States Department of Agriculture-Rural Development (USDA-RD) for the purpose of constructing capital improvements for the City's wastewater system. Principal is payable annually on October 1 in amounts from \$10,000 to \$20,000, with interest due semi-annually at 4.375%, and matures on September 1, 2020.

Annual debt service requirements to maturity of the 2001 USDA Sewer Bond are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 20,000	\$ 2,188
2020	20,000	1,313
2021	<u>20,000</u>	<u>436</u>
Total	<u>\$ 60,000</u>	<u>\$ 3,937</u>

2001 Water Certificate of Participation

Certificates of Participation (2000 Water System Improvement Project) in the amount of \$1,114,558 were issued on August 30, 2001, for the purpose of financing the acquisition and construction of certain modifications, improvements and additions to the City's water treatment storage and distribution facilities systems. Loan proceeds are utilized for the construction period only and are repaid with a United States Department of Agriculture Rural Development (USDA-RD) Bond Anticipation Note when the project is complete. The amount of the note is secured by the pledge of user fees collected by the Water Enterprise Fund. Principal is payable annually on August 1 in amounts from \$50,000 to \$70,000, with interest due semi-annually at 4.375%, and matures on August 1, 2021.

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 65,000	\$ 10,609
2020	70,000	7,656
2021	70,000	4,594
2022	<u>70,000</u>	<u>1,531</u>
Total	<u>\$ 275,000</u>	<u>\$ 24,390</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

2017 Series Water Revenue Bonds

In 2017, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$8,160,000 to finance capital projects in the Water fund. The original amount of the bonds (\$8,160,000) were secured by installment payments to be made by the City of Chowchilla under an installment sale agreement. These installment payments are secured by a pledge of and lien on the net revenues of the Water Fund. Principal is payable annually on June 1 in amounts from \$10,000 to \$775,000, with interest due semi-annually at variable rates between 2.6% - 5.0% and matures on June 1, 2047.

Annual debt service requirements to maturity of the 2017 Series Water Revenue Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ -	\$ 361,663
2020	10,000	361,641
2021	25,000	361,346
2022	30,000	360,646
2023	35,000	359,740
2024-2028	220,000	1,784,195
2029-2033	855,000	1,690,750
2034-2038	1,735,000	1,472,958
2039-2043	3,085,000	974,055
2044-2047	<u>2,165,000</u>	<u>191,725</u>
Total	<u>\$ 8,160,000</u>	<u>\$ 7,918,719</u>

2017 Series Wastewater Revenue Bonds

In 2017, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$3,310,000 to finance capital projects in the Sewer fund. The original amount of the bonds (\$3,310,000) were secured by installment payments to be made by the City of Chowchilla under an installment sale agreement. These installment payments are secured by a pledge of and lien on the net revenues of the Sewer Fund. Principal is payable annually on June 1 in amounts from \$75,000 to \$275,000, with interest due semi-annually at variable rates between 2.33%-4.58%, and matures on June 1, 2047.

Annual debt service requirements to maturity of the 2017 Series Wastewater Revenue Bonds of are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 95,000	\$ 143,253
2019	100,000	141,721
2020	70,000	139,958
2021	40,000	137,814
2022	45,000	136,414
2023-2027	145,000	657,395
2028-2032	370,000	601,619
2033-2037	580,000	502,820
2038-2042	905,000	345,349
2043-2047	<u>960,000</u>	<u>111,294</u>
Total	<u>\$ 3,310,000</u>	<u>\$ 2,917,637</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

State Water Revolving Loan

The City entered into a loan agreement in July 2014 with the State Water Resources Control Board for the purpose of undertaking a project which will enable the City to meet safe drinking water standards established pursuant Chapter 4 of Part 12 of Division 104 of the Health and Safety Code and the California Code of Regulations, Title 22, or to address other health concerns. The City was awarded a loan in the amount of \$3,205,991 for the purpose of installing water meters citywide. The loan is to be repaid over a 20-year period at an interest rate of 0%, which does not begin until the project is completed. The City completed the project during 2018 and the first payment is due on January 1, 2019.

Annual debt service requirements to maturity of the 2017 Series Wastewater Revenue Bonds of are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 80,150	\$ -
2020	160,299	-
2021	160,299	-
2022	160,299	-
2023	160,299	-
2024-2028	801,498	-
2029-2033	801,498	-
2034-2038	801,499	-
2039	<u>80,150</u>	<u>-</u>
Total	<u>\$ 3,205,991</u>	<u>\$ -</u>

Special Assessment District Debt

On March 15, 2017, the Chowchilla Public Financing Authority issued \$3,138,000 of 2017 Refunding Revenue Bonds (Reassessment District No. 2003-1 Greenhills) for the purpose of creating annual debt savings. The total debt service payments were reduced by \$140,898. The 2017 Refunding Bonds are secured by a pledge of and first lien on the revenues to be derived from the Local Agency Bonds (2003 Local Obligations). The Authority will receive the reserve fund upon final maturity. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City's liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2018 is \$2,761,000.

On April 30, 2014, the City issued \$3,962,800 of 2013-1 Limited Obligation Refunding Bonds (the "2013 Local Obligations") pursuant to the provisions of the Improvement Bond Act of 1915 to refund the outstanding 2002-1 Local Obligations Improvement Bonds (the "2002-1 Local Obligations"), for the purpose of creating annual debt savings. The 2013 Local Obligations are fully secured by the unpaid special assessments levied on privately owned properties within the District. These 2013 Local Obligations have no governmental commitment. The 2013 Local Obligations are not secured by the general taxing power of the City, the State of California, or any political subdivision of the State. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City's liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2018 is \$3,121,228.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

Special Assessment District Debt (Continued)

In 2007, the City issued Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Bonds in the aggregate principal amount of \$8,615,000 to finance certain capital expenses of the District, to pay costs of issuance of the Bonds, and to fund two years' capitalized interest on the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds (\$8,615,000) are secured under the Trust indenture by a pledge and lien upon Net Taxes levied on parcels within the District and all moneys in the Special Tax Fund. The Bonds were issued for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of facilities to serve the area within the District and its neighboring areas. Semiannual payments range from \$13,375 to \$560,486 and are payable each March 1 and September 1 through 2037. The amount outstanding as of June 30, 2018 is \$7,025,000.

Since the City is not obligated in any manner for special assessment debt, the debt is not recorded in these financial statements.

NOTE 8 – DEFERRED OUTFLOWS/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 statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 has two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

- Unavailable revenues arise only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	CDBG Grants Special Revenue	Other Governmental Funds	Total
Intergovernmental	\$ -	\$ 488,784	\$ 488,784
Notes	<u>20,484,612</u>	<u>1,672,855</u>	<u>22,157,467</u>
Total	<u>\$ 20,484,612</u>	<u>\$ 2,161,639</u>	<u>\$ 22,646,251</u>

- The City has pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 9.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Chowchilla (City) sponsors seven rate plans (three miscellaneous and four safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	<u>Miscellaneous 1st Tier</u>	<u>Miscellaneous 2nd Tier</u>	<u>Miscellaneous PEPRA</u>
Hire date	Prior to January 1, 2013	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 63	52 to 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.110%	7.200%	6.533%
	<u>Safety (Police) 1st Tier</u>	<u>Safety (Police) 2nd Tier</u>	<u>Safety (Police) PEPRA</u>
Hire date	Prior to January 1, 2013	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 55	2% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 to 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	1.426 % to 2.0%	1.426% to 2.0%
Required employee contribution rates	9.000%	7.000%	9.500%
Required employer contribution rates	17.875%	0.000%	9.513%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$615,321 for the fiscal year ended June 30, 2018.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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

The City's contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2018 were \$942,347.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,793,945.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.1107%
Proportion - June 30, 2017	0.1088%
Change - Increase (Decrease)	-0.0019%

For the year ended June 30, 2018, the City recognized pension expense of \$1,889,675. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$1,042,430	\$ -
Changes of assumptions	1,444,825	110,432
Differences between actual and expected experience	1,977	68,952
Net differences between projected and actual earnings on plan investments	322,238	-
Change in employer's proportion	216,998	29,514
Differences between the employer's actual contributions and the employer's proportionate share of contributions	122,407	24,432
Total	<u>\$ 3,150,875</u>	<u>\$ 233,330</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$1,042,430 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, 2019. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 575,038
2020	922,907
2021	567,447
2022	(190,277)
2023	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20% ⁽¹⁾
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Derived using CalPERS' Membership data for all Funds ⁽³⁾

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) 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.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. 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+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (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 the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 15,560,568	\$ 10,793,945	\$ 6,865,954

E. Pension Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

The City had an outstanding amount of contributions of \$61,728 due to the pension plan required for the year ended June 30, 2018.

NOTE 10 – POST-RETIREMENT HEALTH CARE BENEFITS

The City provides no post-employment benefits for its employees. However, former employees may be maintained on the City’s health insurance programs through the City’s Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance continuation plan.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – RISK MANAGEMENT

The City is a member, along with fifty-eight other public entities, of Central San Joaquin Valley Risk Management Authority (the Authority) organized under a joint powers agreement pursuant to the California Government Code for the purpose of operating and maintaining a cooperative program of self-insurance and risk management which benefits its member cities through cost reductions, insurance coverage stability, and loss control techniques. The Authority is governed by a Board of Directors, consisting of one member appointed by each member city. The Authority maintains pooled coverage programs for its member cities for workers' compensation, liability, auto-physical damage, property, employment practices liability, and errors and omissions coverage. For workers' compensation and liability programs, each program and program year is accounted for and administered as a separate operation.

Under the pooled liability program, expected claims are actuarially determined as are required deposits to cover those claims along with all estimated operating costs. Each year is retrospectively adjusted five years following its conclusion and any funds remaining are returned to the member city. Likewise, funds paid out in excess of their original deposits are collected from the member city.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the Authority. The City has the right to receive refunds or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$1,000,000 and workers' compensation losses under \$500,000. The Authority is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for the purpose of providing excess coverage. Any claims of \$500,000 up to \$150,000,000 are covered under a purchased policy through the membership with the LAWCX. The Authority is a member of the California Affiliated Risk Management Authorities (CARMA) for the purpose of providing excess coverage in a risk sharing pool. The CARMA program provided coverage in excess of the Authority's retained limit up to \$19,000,000.

The financial position results of operations of the Authority are as follows for June 30, 2018:

Total assets	\$ 110,234,633
Total liabilities	<u>92,209,231</u>
Total net position	<u>\$ 18,025,402</u>
Revenues	\$ 46,669,852
Expenses	<u>46,619,021</u>
Change in net position	<u>\$ 50,831</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

The City has established the following retained limits for the coverages shown: \$25,000 for liability; \$100,000 for worker's compensation; \$1,000 for property damage; \$500 deductible on vehicles.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – DEFICIT IN FUND EQUITY

Nonmajor Governmental Funds

Transit System Special Revenue Fund – A deficit in fund balance at June 30, 2018 in the amount of \$78,752 is due solely to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as unavailable revenue in the financial statements.

Internal Service Funds

Fleet Maintenance Internal Service Fund – A deficit in net position at June 30, 2018 in the amount of \$137,430 in the fund is primarily due to the net pension liability of \$184,411 recorded by the City at June 30, 2018. A reduction in the net pension liability in future years will assist in eliminating the deficit.

Information Technology Internal Service Fund – A deficit in net position at June 30, 2018 in the amount of \$213,366 in the fund is primarily due to the net pension liability of \$302,250 recorded by the City at June 30, 2018.

Employee Benefits Internal Service Fund – A deficit in net position at June 30, 2018, in the amount of \$425,201, exists because the fund was established on a pay-as-you go basis for the purpose of funding the annual accrued leave liability. As employees are paid for their accumulated leave in the future, the home program of the employee makes a transfer to the Employee Benefit Fund to offset the expense.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2018, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
General Fund	\$ -	\$ -	\$ 226,418
CDBG Grants Special Revenue Fund	305,553	-	-
Capital Projects Fund	7,000	-	-
Other governmental funds	130,613	-	-

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (“the Bill”) that dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Chowchilla that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 5-12.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to renew the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Cash and Investments

As of June 30, 2018, the Successor Agency has a cash and investment balance of \$171,254.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

(Continued)

Capital Assets

Capital assets reported in the Successor Agency Trust Fund at June 30, 2018 were comprised of the following:

Governmental Activities:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 256,903	\$ -	\$ -	\$ 256,903
Total capital assets, not being depreciated	<u>256,903</u>	<u>-</u>	<u>-</u>	<u>256,903</u>
Capital assets, being depreciated:				
Buildings and improvements	1,450,103	-	-	1,450,103
Total capital assets, being depreciated	<u>1,450,103</u>	<u>-</u>	<u>-</u>	<u>1,450,103</u>
Less accumulated depreciation for:				
Buildings and improvements	(89,549)	(29,002)	-	(118,551)
Total accumulated depreciation	<u>(89,549)</u>	<u>(29,002)</u>	<u>-</u>	<u>(118,551)</u>
Total capital assets being depreciated, net	<u>1,360,554</u>	<u>(29,002)</u>	<u>-</u>	<u>1,331,552</u>
Governmental activities capital assets, net	<u>\$ 1,617,457</u>	<u>\$ (29,002)</u>	<u>\$ -</u>	<u>\$ 1,588,455</u>

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2018 was comprised of the following:

	June 30, 2017	Additions	Reductions	June 30, 2018	Amounts Due Within One Year
2016 Successor Agency Tax Refunding Bond	\$ 6,190,000	\$ -	\$ (260,000)	\$ 5,930,000	\$ 240,000
Add: Premiums	<u>243,508</u>	<u>-</u>	<u>(12,688)</u>	<u>230,820</u>	<u>-</u>
Total	<u>\$ 6,433,508</u>	<u>\$ -</u>	<u>\$ (272,688)</u>	<u>\$ 6,160,820</u>	<u>\$ 240,000</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

(Continued)

2016 Successor Agency Tax Allocation Refunding Bonds

In 2016, the Successor Agency of the City of Chowchilla issued Tax Allocation Refunding Bonds in the aggregate principal amount of \$6,190,000 to refund the 2005 RDA Tax Allocation Bonds. This was done to take advantage of lower interest rates and to save on future debt service payments. As a result, the 2005 RDA Tax Allocation Bonds are considered defeased and the liability for that bond is not included in fiduciary fund (private-purpose trust fund) statement of net position. The total debt service payments were reduced by \$365,124. The original amount of the note - \$6,190,000 – was secured by a pledge of tax revenues consisting of tax increment payments to be received by the Successor Agency. Semiannual payments range from \$5,294 to \$390,294 and are payable each February 1 and August 1 through 2036.

Annual debt service requirements to maturity of the 2016 Successor Agency Tax Allocation Refunding Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 240,000	\$ 172,756
2020	240,000	165,556
2021	250,000	155,756
2022	260,000	146,856
2023	265,000	138,981
2024-2028	1,490,000	534,631
2029-2033	1,705,000	298,906
2034-2037	<u>1,480,000</u>	<u>81,647</u>
Total	<u>\$ 5,930,000</u>	<u>\$ 1,695,089</u>

Insurance

The Successor Agency is covered under the City of Chowchilla's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage can be found in Note 11.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 3,018,467	\$ 2,895,561	\$ 3,028,728	\$ 133,167
Licenses and permits	302,900	397,275	406,970	9,695
Fines and penalties	30,200	112,021	182,261	70,240
Intergovernmental	2,299,235	2,393,838	2,349,083	(44,755)
Use of money and property	119,106	179,562	195,741	16,179
Charges for services	121,800	128,081	110,673	(17,408)
Legal settlement	514,667	511,702	511,702	-
Miscellaneous	87,285	108,563	154,864	46,301
Total revenues	<u>6,493,660</u>	<u>6,726,603</u>	<u>6,940,022</u>	<u>213,419</u>
EXPENDITURES				
Current:				
General government	478,426	1,465,528	1,221,347	244,181
Public safety	3,963,719	3,719,089	3,544,676	174,413
Culture and recreation	526,975	522,998	504,497	18,501
Community development	791,777	716,233	679,417	36,816
Capital outlay	485,000	3,309,928	2,554,139	755,789
Total expenditures	<u>6,245,897</u>	<u>9,733,776</u>	<u>8,504,076</u>	<u>1,229,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,763</u>	<u>(3,007,173)</u>	<u>(1,564,054)</u>	<u>1,443,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,514,559	2,942,487	(572,072)
Transfers out	(366,827)	(367,313)	(401,809)	(34,496)
Proceeds from sale of capital assets	-	4,986	9,312	4,326
Total other financing sources (uses)	<u>(366,827)</u>	<u>3,152,232</u>	<u>2,549,990</u>	<u>(602,242)</u>
Net change in fund balance	<u>\$ (119,064)</u>	<u>\$ 145,059</u>	985,936	<u>\$ 840,877</u>
Fund balances, beginning			<u>3,831,264</u>	
Fund balances, ending			<u>\$ 4,817,200</u>	

CITY OF CHOWCHILLA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
CDBG GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 5,400	\$ 185,179	\$ 353,595	\$ 168,416
Use of money and property	600	3,274	5,394	2,120
Charges for services	<u>3,700</u>	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>
Total revenues	<u>9,700</u>	<u>195,453</u>	<u>358,989</u>	<u>163,536</u>
EXPENDITURES				
Current:				
Community development	19,300	295,338	288,161	7,177
Capital outlay	<u>150,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total expenditures	<u>169,300</u>	<u>495,338</u>	<u>288,161</u>	<u>207,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,600)</u>	<u>(299,885)</u>	<u>70,828</u>	<u>370,713</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	33,069	18,069
Transfers out	<u>-</u>	<u>-</u>	<u>(17,348)</u>	<u>(17,348)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>15,721</u>	<u>721</u>
Net change in fund balance	<u>\$ (144,600)</u>	<u>\$ (284,885)</u>	86,549	<u>\$ 371,434</u>
Fund balances, beginning			<u>548,110</u>	
Fund balances, ending			<u>\$ 634,659</u>	

CITY OF CHOWCHILLA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
IMPACT FEES SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Use of money and property	\$ 11,250	\$ 29,675	\$ 36,384	\$ 6,709
Charges for services	60,000	61,639	69,705	8,066
Miscellaneous	<u>10,000</u>	<u>10,020</u>	<u>504</u>	<u>(9,516)</u>
Total revenues	<u>81,250</u>	<u>101,334</u>	<u>106,593</u>	<u>5,259</u>
EXPENDITURES				
Current:				
General government	1,000	-	-	-
Capital outlay	<u>337,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>338,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,250)</u>	<u>101,334</u>	<u>106,593</u>	<u>5,259</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	115,000	3,003	-	(3,003)
Transfers out	<u>-</u>	<u>(12,244)</u>	<u>-</u>	<u>12,244</u>
Total other financing sources (uses)	<u>115,000</u>	<u>(9,241)</u>	<u>-</u>	<u>9,241</u>
Net change in fund balance	<u>\$ (142,250)</u>	<u>\$ 92,093</u>	106,593	<u>\$ 14,500</u>
Fund balances, beginning			<u>3,237,843</u>	
Fund balances, ending			<u>\$ 3,344,436</u>	

CITY OF CHOWCHILLA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City establishes annual budgets for the General, Special Revenue Funds, and Capital Projects Funds. Except for encumbrances and long-term projects in progress, which are carried forward to the following year, all appropriations remaining will lapse at year-end. The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules:

- 1) The department heads prepare a budget request based upon the previous year's expenditures.
- 2) A meeting is held between the department heads, Finance Director and the City Administrator for the purpose of reviewing and prioritizing the budget requests.
- 3) The City Administrator submits the proposed City Budget to the City Council, who makes decisions regarding department budgets.
- 4) The approved budget is placed in the City accounting system and monitored by the Finance Department as well as by the department heads.

Department heads may, with the City Administrator's authorization, transfer amounts between line items which do not change the original operational budget appropriation limit of the department. The transfers between departments and funds require approval of the City Council.

- 5) Budgets are adopted on the modified accrual basis. Revenues are budgeted in the year receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. Budgeted amounts are maintained as originally adopted and as further amended by the City Council. The level of control (level at which expenditures may not exceed budget) is at fund level for the General Fund, fund level for the Special Revenue Funds, and project level for the Capital Projects Funds.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City did not incur any expenditures in excess of appropriations for the year ended June 30, 2018.

CITY OF CHOWCHILLA

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	0.1141%	0.1170%	0.1107%	0.1088%
Proportionate share of the net pension liability	\$ 7,165,731	\$ 8,032,145	\$ 9,583,127	\$ 10,793,945
Covered payroll	\$ 3,644,535	\$ 3,617,983	\$ 3,411,501	\$ 3,728,201
Proportionate share of the net pension liability as percentage of covered payroll	196.62%	222.01%	280.91%	289.52%
Plan fiduciary net position as a percentage of the total pension liability	78.02%	74.09%	70.07%	69.45%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - In 2017, the accounting discount rate was reduced from 7.65 to 7.15 percent

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF CHOWCHILLA

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 788,942	\$ 745,347	\$ 848,864	\$ 942,347	\$ 1,034,227
Contributions in relation to the actuarially determined contributions	<u>(788,942)</u>	<u>(745,347)</u>	<u>848,864</u>	<u>942,347</u>	<u>1,034,227</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,644,535	\$ 3,617,983	\$ 3,411,501	\$ 3,728,201	\$ 3,960,212
Contributions as a percentage of covered payroll	21.65%	20.60%	24.88%	25.28%	26.12%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	State Gas Tax	SB1	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District
ASSETS						
Cash and investments	\$ 226,685	\$ -	\$ -	\$ 542,618	\$ 1,266,785	\$ 973,654
Accounts receivable	-	-	-	5,249	-	-
Intergovernmental receivables	-	39,931	252,866	148,648	196,471	3,664
Notes receivable, net	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total assets	\$ 226,685	\$ 39,931	\$ 252,866	\$ 696,515	\$ 1,463,256	\$ 977,318
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 37,018	\$ -	\$ 3,620
Due to other funds	-	17,781	252,866	-	-	-
Total liabilities	-	17,781	252,866	37,018	-	3,620
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	-	179,611	196,471	-
Total deferred inflows of resources	-	-	-	179,611	196,471	-
FUND BALANCES (DEFICIT)						
Restricted for:						
Highway and streets	226,685	22,150	-	479,886	1,266,785	973,698
Community development	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	226,685	22,150	-	479,886	1,266,785	973,698
Total liabilities, deferred inflows of resources, and fund balances	\$ 226,685	\$ 39,931	\$ 252,866	\$ 696,515	\$ 1,463,256	\$ 977,318

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Transit System	Home Investment Partnership Program	EDBG Grants	Low and Moderate Income Housing Asset Fund	Total
ASSETS					
Cash and investments	\$ -	\$ 68,217	\$ 162,438	\$ -	\$ 3,240,397
Accounts receivable	836	-	-	-	6,085
Intergovernmental receivables	452,425	-	-	-	1,094,005
Notes receivable, net	-	1,499,622	95,799	77,434	1,672,855
Land held for resale	-	-	-	104,000	104,000
Total assets	<u>\$ 453,261</u>	<u>\$ 1,567,839</u>	<u>\$ 258,237</u>	<u>\$ 181,434</u>	<u>\$ 6,117,342</u>
LIABILITIES					
Accounts payable	\$ 4,522	\$ 59,033	\$ -	\$ -	\$ 104,193
Due to other funds	414,789	-	-	45,559	730,995
Total liabilities	<u>419,311</u>	<u>59,033</u>	<u>-</u>	<u>45,559</u>	<u>835,188</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	112,702	1,499,622	95,799	77,434	2,161,639
Total deferred inflows of resources	<u>112,702</u>	<u>1,499,622</u>	<u>95,799</u>	<u>77,434</u>	<u>2,161,639</u>
FUND BALANCES (DEFICIT)					
Restricted for:					
Highway and streets	-	-	-	-	2,969,204
Community development	-	9,184	162,438	58,441	230,063
Unassigned	<u>(78,752)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,752)</u>
Total fund balances (deficit)	<u>(78,752)</u>	<u>9,184</u>	<u>162,438</u>	<u>58,441</u>	<u>3,120,515</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 453,261</u>	<u>\$ 1,567,839</u>	<u>\$ 258,237</u>	<u>\$ 181,434</u>	<u>\$ 6,117,342</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	State Gas Tax	SB1	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ 3,525	\$ -	\$ -
Intergovernmental	330,593	110,394	348,094	266,724	313,271	-
Use of money and property	5,023	175	224	402	-	7,843
Charges for services	-	-	-	-	-	331,643
Loan repayments	-	-	-	-	-	-
Miscellaneous	-	-	-	14,366	-	159
Total revenues	<u>335,616</u>	<u>110,569</u>	<u>348,318</u>	<u>285,017</u>	<u>313,271</u>	<u>339,645</u>
EXPENDITURES						
Current:						
Highway and streets	-	-	-	452,762	-	279,755
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	36,211	-	-
Debt service:						
Principal	-	-	-	-	157,660	-
Interest	-	-	-	-	1,443	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>488,973</u>	<u>159,103</u>	<u>279,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>335,616</u>	<u>110,569</u>	<u>348,318</u>	<u>(203,956)</u>	<u>154,168</u>	<u>59,890</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	768,334	-	-
Transfers out	(451,338)	(88,419)	(348,645)	(147,697)	(375,317)	-
Proceeds from sale of capital assets	-	-	-	5,737	-	-
Total other financing sources (uses)	<u>(451,338)</u>	<u>(88,419)</u>	<u>(348,645)</u>	<u>626,374</u>	<u>(375,317)</u>	<u>-</u>
Net change in fund balances	(115,722)	22,150	(327)	422,418	(221,149)	59,890
Fund balances (deficit), beginning of year	<u>342,407</u>	<u>-</u>	<u>327</u>	<u>57,468</u>	<u>1,487,934</u>	<u>913,808</u>
Fund balances (deficit), end of year	<u>\$ 226,685</u>	<u>\$ 22,150</u>	<u>\$ -</u>	<u>\$ 479,886</u>	<u>\$ 1,266,785</u>	<u>\$ 973,698</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Transit System</u>	<u>Home Investment Partnership Program</u>	<u>EDBG Grants</u>	<u>Low and Moderate Income Housing Asset Fund</u>	<u>Total</u>
REVENUES					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 3,525
Intergovernmental	988,261	600	-	-	2,357,937
Use of money and property	-	542	1,957	-	16,166
Charges for services	20,489	-	-	-	352,132
Loan repayments	-	-	33,982	-	33,982
Miscellaneous	<u>2,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,866</u>
Total revenues	<u>1,011,091</u>	<u>1,142</u>	<u>35,939</u>	<u>-</u>	<u>2,780,608</u>
EXPENDITURES					
Current:					
Highway and streets	500,779	-	-	-	1,233,296
Community development	-	81,394	32,254	-	113,648
Capital outlay	297,138	-	-	-	333,349
Debt service:					
Principal	-	-	-	-	157,660
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,443</u>
Total expenditures	<u>797,917</u>	<u>81,394</u>	<u>32,254</u>	<u>-</u>	<u>1,839,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>213,174</u>	<u>(80,252)</u>	<u>3,685</u>	<u>-</u>	<u>941,212</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	13,961	22,877	-	-	805,172
Transfers out	-	-	(38,598)	-	(1,450,014)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,737</u>
Total other financing sources (uses)	<u>13,961</u>	<u>22,877</u>	<u>(38,598)</u>	<u>-</u>	<u>(639,105)</u>
Net change in fund balances	227,135	(57,375)	(34,913)	-	302,107
Fund balances (deficit), beginning of year	<u>(305,887)</u>	<u>66,559</u>	<u>197,351</u>	<u>58,441</u>	<u>2,818,408</u>
Fund balances (deficit), end of year	<u>\$ (78,752)</u>	<u>\$ 9,184</u>	<u>\$ 162,438</u>	<u>\$ 58,441</u>	<u>\$ 3,120,515</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2018**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,595,323	\$ -	\$ 1,595,323
Accounts receivable, net	22,889	1,953	24,842
Intergovernmental receivables	-	30,949	30,949
Prepaid items	-	2,333	2,333
	<u>1,618,212</u>	<u>35,235</u>	<u>1,653,447</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Nondepreciable	154,208	452,951	607,159
Depreciable, net of accumulated depreciation	97,246	165,179	262,425
	<u>251,454</u>	<u>618,130</u>	<u>869,584</u>
Total noncurrent assets			
	<u>1,869,666</u>	<u>653,365</u>	<u>2,523,031</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	6,968	1,880	8,848
Deferred outflows of resources from pensions	17,868	4,589	22,457
	<u>24,836</u>	<u>6,469</u>	<u>31,305</u>
Total deferred outflows of resources			
LIABILITIES			
Current liabilities:			
Accounts payable	21	7,874	7,895
Due to other funds	-	9,937	9,937
Unearned revenue	-	9,250	9,250
	<u>21</u>	<u>27,061</u>	<u>27,082</u>
Total current liabilities			
Noncurrent liabilities:			
Net pension liability	81,900	22,100	104,000
	<u>81,900</u>	<u>22,100</u>	<u>104,000</u>
Total noncurrent liabilities			
	<u>81,921</u>	<u>49,161</u>	<u>131,082</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	3,453	804	4,257
	<u>3,453</u>	<u>804</u>	<u>4,257</u>
Total deferred outflows of resources			
NET POSITION (DEFICIT)			
Net investment in capital assets	251,454	618,130	869,584
Unrestricted	1,557,674	(8,261)	1,549,413
	<u>1,809,128</u>	<u>609,869</u>	<u>2,418,997</u>
Total net position (deficit)			

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 214,930	\$ 18,546	\$ 233,476
Miscellaneous	<u>1,254</u>	<u>433</u>	<u>1,687</u>
Total operating revenues	<u>216,184</u>	<u>18,979</u>	<u>235,163</u>
Operating expenses:			
Personnel services	39,047	34,702	73,749
Materials, supplies and services	36,229	66,542	102,771
Depreciation	<u>6,349</u>	<u>14,683</u>	<u>21,032</u>
Total operating expenses	<u>81,625</u>	<u>115,927</u>	<u>197,552</u>
Operating income (loss)	<u>134,559</u>	<u>(96,948)</u>	<u>37,611</u>
Nonoperating revenues (expenses):			
Use of money and property	12,501	-	12,501
Taxes	-	13,998	13,998
Grants - capital	-	46,405	46,405
Grants - operating	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total nonoperating revenues (expenses)	<u>12,501</u>	<u>70,403</u>	<u>82,904</u>
Change in net position	147,060	(26,545)	120,515
Net position (deficit), beginning of year	<u>1,662,068</u>	<u>636,414</u>	<u>2,298,482</u>
Net position (deficit), end of year	<u>\$ 1,809,128</u>	<u>\$ 609,869</u>	<u>\$ 2,418,997</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 215,121	\$ 17,391	\$ 232,512
Payments to suppliers	(36,242)	(58,846)	(95,088)
Payments to employees	(54,015)	(16,544)	(70,559)
Other operating revenues	<u>1,254</u>	<u>433</u>	<u>1,687</u>
Net cash provided by (used in) operating activities	<u>126,118</u>	<u>(57,566)</u>	<u>68,552</u>
Cash flows from noncapital financing activities:			
Grants received	-	10,000	10,000
Loans from other funds	-	9,937	9,937
Taxes received	<u>-</u>	<u>13,998</u>	<u>13,998</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>33,935</u>	<u>33,935</u>
Cash flows from capital and related financing activities:			
Grants received	<u>-</u>	<u>23,631</u>	<u>23,631</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>23,631</u>	<u>23,631</u>
Cash flows from investing activities:			
Interest received	<u>12,501</u>	<u>-</u>	<u>12,501</u>
Net cash provided by (used in) investing activities	<u>12,501</u>	<u>-</u>	<u>12,501</u>
Net increase (decrease) in cash and cash equivalents	138,619	-	138,619
Cash and cash equivalents, beginning of year	<u>1,456,704</u>	<u>-</u>	<u>1,456,704</u>
Cash and cash equivalents, end of year	<u>\$ 1,595,323</u>	<u>\$ -</u>	<u>\$ 1,595,323</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 134,559	\$ (96,948)	\$ 37,611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,349	14,683	21,032
(Increase) decrease in:			
Accounts receivable	144	(1,155)	(1,011)
Deferred outflows of resources from pensions	7,709	(4,578)	3,131
Increase (decrease) in:			
Accounts payable and other liabilities	(13)	7,696	7,683
Deposits	47	-	47
Net pension liability	(21,852)	22,100	248
Deferred inflows of resources from pension	<u>(825)</u>	<u>636</u>	<u>(189)</u>
Net cash provided by (used in) operating activities	<u>\$ 126,118</u>	<u>\$ (57,566)</u>	<u>\$ 68,552</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 643	\$ 11,684	\$ 162,815	\$ 175,142
Prepaid expenses	<u>-</u>	<u>-</u>	<u>44,725</u>	<u>44,725</u>
Total current assets	<u>643</u>	<u>11,684</u>	<u>207,540</u>	<u>219,867</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net of accumulated depreciation	<u>-</u>	<u>12,779</u>	<u>-</u>	<u>12,779</u>
Total noncurrent assets	<u>-</u>	<u>12,779</u>	<u>-</u>	<u>12,779</u>
Total assets	<u>643</u>	<u>24,463</u>	<u>207,540</u>	<u>232,646</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	16,285	25,716	-	42,001
Deferred outflows of resources from pensions	<u>36,577</u>	<u>62,520</u>	<u>-</u>	<u>99,097</u>
Total deferred outflows of resources	<u>52,862</u>	<u>88,236</u>	<u>-</u>	<u>141,098</u>
LIABILITIES				
Current liabilities:				
Accounts payable	648	11,683	-	12,331
Accrued payroll	-	-	220,252	220,252
Compensated absences	<u>-</u>	<u>-</u>	<u>250,235</u>	<u>250,235</u>
Total current liabilities	<u>648</u>	<u>11,683</u>	<u>470,487</u>	<u>482,818</u>
Noncurrent liabilities:				
Compensated absences	-	-	162,254	162,254
Net pension liability	<u>184,411</u>	<u>302,250</u>	<u>-</u>	<u>486,661</u>
Total noncurrent liabilities	<u>184,411</u>	<u>302,250</u>	<u>162,254</u>	<u>648,915</u>
Total liabilities	<u>185,059</u>	<u>313,933</u>	<u>632,741</u>	<u>1,131,733</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	<u>5,876</u>	<u>12,132</u>	<u>-</u>	<u>18,008</u>
Total deferred inflows of resources	<u>5,876</u>	<u>12,132</u>	<u>-</u>	<u>18,008</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	-	12,779	-	12,779
Unrestricted (deficit)	<u>(137,430)</u>	<u>(226,145)</u>	<u>(425,201)</u>	<u>(788,776)</u>
Total net position (deficit)	<u>\$ (137,430)</u>	<u>\$ (213,366)</u>	<u>\$ (425,201)</u>	<u>\$ (775,997)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 198,708	\$ 347,659	\$ -	\$ 546,367
Miscellaneous	<u>408</u>	<u>836</u>	<u>-</u>	<u>1,244</u>
Total operating revenues	<u>199,116</u>	<u>348,495</u>	<u>-</u>	<u>547,611</u>
Operating expenses:				
Personnel services	114,790	110,249	81,450	306,489
Materials, supplies and services	61,453	175,136	-	236,589
Depreciation	<u>-</u>	<u>1,117</u>	<u>-</u>	<u>1,117</u>
Total operating expenses	<u>176,243</u>	<u>286,502</u>	<u>81,450</u>	<u>544,195</u>
Operating income (loss)	<u>22,873</u>	<u>61,993</u>	<u>(81,450)</u>	<u>3,416</u>
Nonoperating revenues (expenses):				
Interest income	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Total nonoperating revenues (expenses)	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Change in net position	22,904	61,993	(81,450)	3,447
Net position (deficit), beginning of year	<u>(160,334)</u>	<u>(275,359)</u>	<u>(343,751)</u>	<u>(779,444)</u>
Net position (deficit), end of year	<u>\$ (137,430)</u>	<u>\$ (213,366)</u>	<u>\$ (425,201)</u>	<u>\$ (775,997)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 198,708	\$ 347,659	\$ -	\$ 546,367
Payments to suppliers	(61,627)	(187,250)	-	(248,877)
Payments to or received from employees	(137,198)	(188,300)	74,817	(250,681)
Other operating revenues	<u>408</u>	<u>836</u>	<u>-</u>	<u>1,244</u>
Net cash provided by (used in) operating activities	<u>291</u>	<u>(27,055)</u>	<u>74,817</u>	<u>48,053</u>
Cash flows from investing activities:				
Interest received	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Net cash provided by (used in) investing activities	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	322	(27,055)	74,817	48,084
Cash and cash equivalents, beginning of year	<u>321</u>	<u>38,739</u>	<u>87,998</u>	<u>127,058</u>
Cash and cash equivalents, end of year	<u>\$ 643</u>	<u>\$ 11,684</u>	<u>\$ 162,815</u>	<u>\$ 175,142</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 22,873	\$ 61,993	\$ (81,450)	\$ 3,416
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,117	-	1,117
(Increase) decrease in:				
Prepaid expenses	-	-	(5,507)	(5,507)
Deferred outflows of resources from pensions	8,733	29,651	-	38,384
Increase (decrease) in:				
Accounts payable and other liabilities	(174)	(12,114)	80,324	68,036
Compensated absences	-	-	81,450	81,450
Net pension liability	(29,187)	(104,418)	-	(133,605)
Deferred inflows of resources from pensions	<u>(1,954)</u>	<u>(3,284)</u>	<u>-</u>	<u>(5,238)</u>
Net cash provided by (used in) operating activities	<u>\$ 291</u>	<u>\$ (27,055)</u>	<u>\$ 74,817</u>	<u>\$ 48,053</u>

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<u>Community Facilities District</u>				
ASSETS				
Cash and investments	\$ 983,411	\$ 1,610,047	\$ (1,771,562)	\$ 821,896
Restricted cash with fiscal agents	3,120,969	16,932	(1,497,584)	1,640,317
Accounts receivable	<u>13,077</u>	<u>34,087</u>	<u>(46,762)</u>	<u>402</u>
Total assets	<u>\$ 4,117,457</u>	<u>\$ 1,661,066</u>	<u>\$ (3,315,908)</u>	<u>\$ 2,462,615</u>
LIABILITIES				
Agency obligations	<u>\$ 4,117,457</u>	<u>\$ 1,661,066</u>	<u>\$ (3,315,908)</u>	<u>\$ 2,462,615</u>
<u>Greenhills Assessment District</u>				
ASSETS				
Cash and investments	\$ 408,466	\$ 622,841	\$ (559,239)	\$ 472,068
Restricted cash with fiscal agents	250,699	2,107	(202)	252,604
Accounts receivable	<u>8,321</u>	<u>12,148</u>	<u>(16,641)</u>	<u>3,828</u>
Total assets	<u>\$ 667,486</u>	<u>\$ 637,096</u>	<u>\$ (576,082)</u>	<u>\$ 728,500</u>
LIABILITIES				
Agency obligations	<u>\$ 667,486</u>	<u>\$ 637,096</u>	<u>\$ (576,082)</u>	<u>\$ 728,500</u>
<u>Pheasant Run Assessment District</u>				
ASSETS				
Cash and investments	\$ 413,729	\$ 437,077	\$ (381,974)	\$ 468,832
Restricted cash with fiscal agents	196,836	1,245	(26,681)	171,400
Accounts receivable	<u>19,104</u>	<u>30,214</u>	<u>(38,209)</u>	<u>11,109</u>
Total assets	<u>\$ 629,669</u>	<u>\$ 468,536</u>	<u>\$ (446,864)</u>	<u>\$ 651,341</u>
LIABILITIES				
Agency obligations	<u>\$ 629,669</u>	<u>\$ 468,536</u>	<u>\$ (446,864)</u>	<u>\$ 651,341</u>
<u>Developer Deposits</u>				
ASSETS				
Cash and investments	\$ (26,083)	\$ 71,936	\$ (120,499)	\$ (74,646)
Total assets	<u>\$ (26,083)</u>	<u>\$ 71,936</u>	<u>\$ (120,499)</u>	<u>\$ (74,646)</u>
LIABILITIES				
Agency obligations	<u>\$ (26,083)</u>	<u>\$ 71,936</u>	<u>\$ (120,499)</u>	<u>\$ (74,646)</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 1,779,523	\$ 2,741,901	\$ (2,833,274)	\$ 1,688,150
Restricted cash with fiscal agents	3,568,504	20,284	(1,524,467)	2,064,321
Accounts receivable	<u>40,502</u>	<u>76,449</u>	<u>(101,612)</u>	<u>15,339</u>
Total assets	<u>\$ 5,388,529</u>	<u>\$ 2,838,634</u>	<u>\$ (4,459,353)</u>	<u>\$ 3,767,810</u>
LIABILITIES				
Agency obligations	<u>\$ 5,388,529</u>	<u>\$ 2,838,634</u>	<u>\$ (4,459,353)</u>	<u>\$ 3,767,810</u>

OTHER INDEPENDENT AUDITOR'S REPORTS

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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 Chowchilla, 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 Chowchilla, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

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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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
March 5, 2019

FINDINGS AND QUESTIONED COSTS

**CITY OF CHOWCHILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified that are not considered
to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**CITY OF CHOWCHILLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

None reported.