

**CITY OF CHOWCHILLA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2014**

CITY OF CHOWCHILLA
JUNE 30, 2014

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JUNE 30, 2014

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JUNE 30, 2014**

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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, 2014, 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.

Basis for Adverse Opinion

As discussed in Note 1 to the financial statements, management has not maintained records of capital assets and, therefore, capital assets and the related depreciation thereon are not reported in the governmental activities, business-type activities, and enterprise fund financial statements. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and enterprise fund activities. The amounts by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and enterprise funds are not reasonably determinable.

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Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly the financial position of the City of Chowchilla, California, as of June 30, 2014, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 52-55 and the schedule of funding progress on page 56 be presented to supplement the basic financial statements. Such information, 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. Because we issued an adverse opinion on the City’s financial statements as described above, it is inappropriate to, and we do not express an opinion on the combining nonmajor fund financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City’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 30, 2015

BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,445,616	\$ 1,034,730	\$ 8,480,346
Restricted cash and investments	3,759,059	-	3,759,059
Accounts receivable, net	2,728,018	481,696	3,209,714
Notes receivable, net	20,764,701	-	20,764,701
Prepaid expenses	63,576	2,333	65,909
Land held for resale	104,000	-	104,000
Accounts receivable - long-term	31,923	-	31,923
Due from the Successor Agency	108,529	-	108,529
Internal balances	<u>144,766</u>	<u>(144,766)</u>	<u>-</u>
 Total assets	 <u>35,150,188</u>	 <u>1,373,993</u>	 <u>36,524,181</u>
 LIABILITIES			
Accounts payable	281,218	133,972	415,190
Accrued payroll	86,233	-	86,233
Deposits	14,475	166,246	180,721
Accrued interest	980,441	14,381	994,822
Unearned revenues	-	9,096	9,096
Long-term liabilities:			
Due within one year	758,649	149,520	908,169
Due in more than one year	<u>24,044,696</u>	<u>653,552</u>	<u>24,698,248</u>
 Total liabilities	 <u>26,165,712</u>	 <u>1,126,767</u>	 <u>27,292,479</u>
 NET POSITION			
Net investment in capital assets	(14,610,500)	(803,072)	(15,413,572)
Restricted for:			
Highway and streets	2,807,832	-	2,807,832
Culture and recreation	467,451	-	467,451
Community development	647,713	-	647,713
Capital maintenance	5,096,021	-	5,096,021
Debt service	951,914	-	951,914
Unrestricted	<u>13,624,045</u>	<u>1,050,298</u>	<u>14,674,343</u>
 Total net position	 <u>\$ 8,984,476</u>	 <u>\$ 247,226</u>	 <u>\$ 9,231,702</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, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,001,029	\$ 800,212	\$ 36,535	\$ -	\$ (164,282)	\$ -	\$ (164,282)
Public safety	3,338,225	63,415	315,164	-	(2,959,646)	-	(2,959,646)
Highways and streets	2,536,903	346,771	2,099,550	(342)	(90,924)	-	(90,924)
Culture and recreation	326,055	2,967	762	-	(322,326)	-	(322,326)
Community development	77,774	22,000	124,862	-	69,088	-	69,088
Interest and fiscal charges	1,024,183	-	-	-	(1,024,183)	-	(1,024,183)
Total governmental activities	<u>8,304,169</u>	<u>1,235,365</u>	<u>2,576,873</u>	<u>(342)</u>	<u>(4,492,273)</u>	<u>-</u>	<u>(4,492,273)</u>
Business-type activities:							
Water	1,825,672	1,925,319	-	-	-	99,647	99,647
Solid waste	1,328,334	1,306,333	87,923	-	-	65,922	65,922
Sewer	1,610,134	1,329,531	-	-	-	(280,603)	(280,603)
Airport	26,378	18,197	10,000	-	-	1,819	1,819
Storm drain	78,434	186,825	-	-	-	108,391	108,391
Total business-type activities	<u>4,868,952</u>	<u>4,766,205</u>	<u>97,923</u>	<u>-</u>	<u>-</u>	<u>(4,824)</u>	<u>(4,824)</u>
Total	<u>\$ 13,173,121</u>	<u>\$ 6,001,570</u>	<u>\$ 2,674,796</u>	<u>\$ (342)</u>	<u>(4,492,273)</u>	<u>(4,824)</u>	<u>(4,497,097)</u>
General revenues:							
Taxes:							
Property					1,304,460	9,038	1,313,498
Sales					1,202,366	-	1,202,366
Transient lodging					245,495	-	245,495
Franchises					219,026	-	219,026
Documentary stamp					31,740	-	31,740
Motor vehicle in lieu - unrestricted					1,035,958	-	1,035,958
Investment earnings					478,824	2,286	481,110
Rental income					89,973	3,371	93,344
Miscellaneous					236,518	11,994	248,512
Gain/loss on sale of capital assets					24,317	-	24,317
Transfers					18,783	(18,783)	-
Total general revenues, extraordinary item, and transfers					<u>4,887,460</u>	<u>7,906</u>	<u>4,895,366</u>
Change in net position					<u>395,187</u>	<u>3,082</u>	<u>398,269</u>
Net position (deficit), beginning of year					<u>8,954,270</u>	<u>(132,863)</u>	<u>8,821,407</u>
Prior period adjustments					<u>(364,981)</u>	<u>377,007</u>	<u>12,026</u>
Net position, beginning of year, as restated					<u>8,589,289</u>	<u>244,144</u>	<u>8,833,433</u>
Net position, end of year					<u>\$ 8,984,476</u>	<u>\$ 247,226</u>	<u>\$ 9,231,702</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, 2014**

	General	CDBG Grants Special Revenue	Street & Road (LTF) Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 119,537	\$ 173,748	\$ -	\$ 305,933	\$ 6,834,551	\$ 7,433,769
Restricted cash and investments	369,739	-	-	3,133,832	255,488	3,759,059
Accounts receivable	1,053,384	74,235	708,046	43,606	848,747	2,728,018
Notes receivable, net	-	20,418,448	-	-	346,253	20,764,701
Due from other funds	512,020	2,011	-	559,445	1,295,149	2,368,625
Due from the Successor Agency	108,529	-	-	-	-	108,529
Prepaid expenses	1,903	-	-	-	-	1,903
Land held for resale	-	-	-	-	104,000	104,000
Accounts receivable - long-term	-	-	-	-	31,923	31,923
Total assets	\$ 2,165,112	\$ 20,668,442	\$ 708,046	\$ 4,042,816	\$ 9,716,111	\$ 37,300,527
LIABILITIES						
Accounts payable	\$ 136,097	\$ 3,835	\$ 14,702	\$ 1,155	\$ 114,495	\$ 270,284
Deposits	14,475	-	-	-	-	14,475
Due to other funds	-	-	728,685	-	1,536,541	2,265,226
Total liabilities	150,572	3,835	743,387	1,155	1,651,036	2,549,985
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	84,762	20,422,448	229,483	4,449	524,754	21,265,896
Total deferred inflows of resources	84,762	20,422,448	229,483	4,449	524,754	21,265,896
FUND BALANCES:						
Nonspendable:						
Prepaid expenses	1,903	-	-	-	-	1,903
Land held for resale	-	-	-	-	104,000	104,000
Long-term receivable	-	-	-	-	31,923	31,923
Restricted for:						
Highway and streets	-	-	77,393	-	2,730,439	2,807,832
Culture and recreation	-	-	-	-	467,451	467,451
Community development	-	242,159	-	-	405,554	647,713
Capital maintenance	-	-	-	-	5,096,021	5,096,021
Construction projects	-	-	-	2,551,657	-	2,551,657
Debt service	369,739	-	-	582,175	-	951,914
Committed to:						
Emergency contingency	910,223	-	-	-	-	910,223
Assigned to:						
General government	14,549	-	-	-	-	14,549
Public safety	31,222	-	-	-	-	31,222
Unassigned	602,142	-	(342,217)	903,380	(1,295,067)	(131,762)
Total fund balances	1,929,778	242,159	(264,824)	4,037,212	7,540,321	13,484,646
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,165,112	\$ 20,668,442	\$ 708,046	\$ 4,042,816	\$ 9,716,111	\$ 37,300,527

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, 2014**

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

Total fund balances - governmental funds \$ 13,484,646

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 payable (13,823,000)

Loans payable (10,700,700)

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. (980,441)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 21,265,896

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. (261,925)

Net position of governmental activities \$ 8,984,476

CITY OF CHOWCHILLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General	CDBG Grants Special Revenue	Street & Road (LTF) Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 2,443,001	\$ -	\$ -	\$ 605,193	\$ -	\$ 3,048,194
Licenses and permits	552,237	-	100	-	-	552,337
Fines and penalties	51,361	-	-	-	-	51,361
Intergovernmental revenues	1,283,517	146,312	488,052	-	2,008,254	3,926,135
Use of money and property	83,470	296	(511)	18,255	20,280	121,790
Charges for services	222,318	18,000	-	-	465,083	705,401
Loan repayments	-	-	-	-	21,544	21,544
Miscellaneous	229,398	-	2,210	3,453	2,371	237,432
Total revenues	4,865,302	164,608	489,851	626,901	2,517,532	8,664,194
EXPENDITURES						
Current:						
General government	851,619	-	-	15,236	2,893	869,748
Public safety	3,078,185	-	-	-	-	3,078,185
Highways and streets	235,736	-	516,817	-	678,781	1,431,334
Culture and recreation	288,896	-	-	-	-	288,896
Community Development	-	70,649	-	-	7,125	77,774
Administrative	-	-	-	-	-	-
Capital outlay	212,612	-	744,330	77,618	435,766	1,470,326
Debt service:						
Principal	-	-	-	174,994	394,145	569,139
Interest	-	-	-	384,571	290,892	675,463
Total expenditures	4,667,048	70,649	1,261,147	652,419	1,809,602	8,460,865
Excess (deficiency) of revenues over (under) expenditures	198,254	93,959	(771,296)	(25,518)	707,930	203,329
OTHER FINANCING SOURCES (USES)						
Transfers in	111,183	-	380,000	-	518,444	1,009,627
Transfers out	(415,854)	-	-	-	(651,019)	(1,066,873)
Proceeds from sales of capital assets	24,317	-	-	-	-	24,317
Proceeds from promissory note	-	62,285	-	-	-	62,285
Total other financing sources (uses)	(280,354)	62,285	380,000	-	(132,575)	29,356
Net change in fund balances	(82,100)	156,244	(391,296)	(25,518)	575,355	232,685
Fund balances, beginning of year	1,942,496	4,574,687	126,472	4,068,438	7,346,241	18,058,334
Prior period adjustments	69,382	(4,488,772)	-	(5,708)	(381,275)	(4,806,373)
Fund balances, beginning of year, restated	2,011,878	85,915	126,472	4,062,730	6,964,966	13,251,961
Fund balances, end of year	\$ 1,929,778	\$ 242,159	\$ (264,824)	\$ 4,037,212	\$ 7,540,321	\$ 13,484,646

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, 2014**

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

Net change in fund balances - total governmental funds	\$	232,685
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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.

Repayment of the principal of long-term debt	569,145
Amortization on bond discounts	(7,322)

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

Change in accrued interest from prior year	(348,726)
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New loans made included in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as expenses in governmental funds.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(69,765)
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The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>19,170</u>
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Change in net position of governmental activities	<u>\$</u>	<u>395,187</u>
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CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Fund
ASSETS						
Current assets:						
Cash and investments	\$ 237,011	\$ 148,980	\$ 638,799	\$ 9,940	\$ 1,034,730	\$ 11,847
Accounts receivable, net	181,313	114,173	149,887	36,323	481,696	-
Prepaid expenses	-	-	-	2,333	2,333	61,673
Total assets	418,324	263,153	788,686	48,596	1,518,759	73,520
LIABILITIES						
Current liabilities:						
Accounts payable	55,668	69,312	7,038	1,954	133,972	10,934
Accrued payroll	-	-	-	-	-	86,233
Deposits	166,246	-	-	-	166,246	-
Due to other funds	-	-	-	76,354	76,354	27,045
Accrued interest	9,379	-	5,002	-	14,381	-
Unearned revenue	-	-	-	9,096	9,096	-
Compensated absences	-	-	-	-	-	162,625
Current portion of long-term debt	60,000	-	89,520	-	149,520	-
Total current liabilities	291,293	69,312	101,560	87,404	549,569	286,837
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	117,020
Long-term debt	465,000	-	188,552	-	653,552	-
Total noncurrent liabilities	465,000	-	188,552	-	653,552	117,020
Total liabilities	756,293	69,312	290,112	87,404	1,203,121	403,857
NET POSITION (DEFICIT)						
Net investment in capital assets	(525,000)	-	(278,072)	-	(803,072)	-
Unrestricted	187,031	193,841	776,646	(38,808)	1,118,710	(330,337)
Total net position (deficit)	\$ (337,969)	\$ 193,841	\$ 498,574	\$ (38,808)	315,638	\$ (330,337)
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					(68,412)	
Net position of business-type activities					\$ 247,226	

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

CITY OF CHOWCHILLA

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

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Fund
Operating revenues:					
Charges for services	\$ 1,792,861	\$ 1,306,333	\$ 1,323,467	\$ 205,022	\$ 4,627,683
Miscellaneous	137,760	-	6,064	6,692	150,516
Total operating revenues	1,930,621	1,306,333	1,329,531	211,714	4,778,199
Operating expenses:					
Personnel services	522,250	26,490	539,678	53,913	1,142,331
Materials, supplies and services	1,271,699	1,301,844	1,047,638	49,846	3,671,027
Total operating expenses	1,793,949	1,328,334	1,587,316	103,759	4,813,358
Operating income (loss)	136,672	(22,001)	(257,785)	107,955	(35,159)
Nonoperating revenues (expenses):					
Interest income	213	686	1,589	(202)	2,286
Taxes	-	-	-	9,038	9,038
Grants	-	10,078	77,845	10,000	97,923
Rents	1,685	-	-	1,686	3,371
Interest expense	(27,262)	-	(17,411)	(1,049)	(45,722)
Total nonoperating revenues (expenses)	(25,364)	10,764	62,023	19,473	66,896
Income (loss) before transfers	111,308	(11,237)	(195,762)	127,428	31,737
Other financing sources (uses):					
Transfers in	-	-	-	1,000	1,000
Transfers out	(6,149)	-	(13,634)	-	(19,783)
Total other financing sources (uses)	(6,149)	-	(13,634)	1,000	(18,783)
Change in net position	105,159	(11,237)	(209,396)	128,428	12,954
Net position (deficit), beginning of year	(863,525)	202,249	696,656	(109,703)	(339,635)
Prior period adjustment	420,397	2,829	11,314	(57,533)	-
Net assets, beginning of year, restated	(443,128)	205,078	707,970	(167,236)	(339,635)
Net position (deficit), end of year	\$ (337,969)	\$ 193,841	\$ 498,574	\$ (38,808)	\$ (330,337)
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					(9,872)
Changes in net position of business-type activities				\$ 3,082	

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, 2014**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,853,870	\$ 1,325,970	\$ 1,316,885	\$ 241,787	\$ 4,738,512	\$ 515,582
Payments to suppliers	(1,240,565)	(1,555,768)	(1,053,047)	(108,593)	(3,957,973)	(256,207)
Payments to employees	(522,250)	(26,490)	(539,678)	(53,913)	(1,142,331)	(464,370)
Net cash provided by (used in) operating activities	<u>91,055</u>	<u>(256,288)</u>	<u>(275,840)</u>	<u>79,281</u>	<u>(361,792)</u>	<u>(204,995)</u>
Cash flows from noncapital financing activities:						
Grants received	-	10,078	-	10,000	20,078	-
Transfer from other funds	-	-	-	1,000	1,000	76,029
Transfer to other funds	(6,149)	-	(13,634)	-	(19,783)	-
Loan from other funds	-	-	-	2,552	2,552	17,163
Loan repayment to other funds	-	-	-	(29,913)	(29,913)	-
Taxes received	-	-	-	18,134	18,134	-
Net cash provided by (used in) noncapital financing activities	<u>(6,149)</u>	<u>10,078</u>	<u>(13,634)</u>	<u>1,773</u>	<u>(7,932)</u>	<u>93,192</u>
Cash flows from capital and related financing activities:						
Principal paid	(60,000)	-	(85,375)	(70,500)	(215,875)	-
Interest paid	(24,281)	-	(17,376)	(2,098)	(43,755)	-
Grants received	-	-	77,845	-	77,845	-
Net cash provided by (used in) capital and related financing activities	<u>(84,281)</u>	<u>-</u>	<u>(24,906)</u>	<u>(72,598)</u>	<u>(181,785)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	213	686	1,589	(202)	2,286	(457)
Rents received	1,685	-	-	1,686	3,371	-
Net cash provided by (used in) investing activities	<u>1,898</u>	<u>686</u>	<u>1,589</u>	<u>1,484</u>	<u>5,657</u>	<u>(457)</u>
Net increase (decrease) in cash and cash equivalents	2,523	(245,524)	(312,791)	9,940	(545,852)	(112,260)
Cash and cash equivalents, beginning of year	<u>234,488</u>	<u>394,504</u>	<u>951,590</u>	<u>-</u>	<u>1,580,582</u>	<u>124,107</u>
Cash and cash equivalents, end of year	<u>\$ 237,011</u>	<u>\$ 148,980</u>	<u>\$ 638,799</u>	<u>\$ 9,940</u>	<u>\$ 1,034,730</u>	<u>\$ 11,847</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, 2014**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 136,672	\$ (22,001)	\$ (257,785)	\$ 107,955	\$ (35,159)	\$ (66,274)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(76,509)	19,637	(12,646)	30,073	(39,445)	-
(Increase) decrease in prepaid expenses	-	-	-	-	-	(61,673)
Increase (decrease) in accounts payable	31,134	(253,924)	(5,409)	(49,651)	(277,850)	(14,247)
Increase (decrease) in accrued payroll	-	-	-	-	-	(42,566)
Increase (decrease) in deposits	(242)	-	-	-	(242)	-
Increase (decrease) in compensated absences	-	-	-	(9,096)	(9,096)	-
Increase (decrease) in compensated absences	-	-	-	-	-	(20,235)
Net cash provided by (used in) operating activities	<u>\$ 91,055</u>	<u>\$ (256,288)</u>	<u>\$ (275,840)</u>	<u>\$ 79,281</u>	<u>\$ (361,792)</u>	<u>\$ (204,995)</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
ASSETS		
Cash and investments (in City investment pool)	\$ 643,144	\$ -
Restricted cash and investments (held by bond trustee)	277,816	549,650
Accounts receivable (net)	20,918	136,999
Prepaid expenses	-	33,335
Land held for resale	-	338,000
	<u> </u>	<u> </u>
Total assets	<u>\$ 941,878</u>	<u>\$ 1,057,984</u>
LIABILITIES		
Accounts payable	\$ -	344
Due to the General Fund	-	108,529
Accrued interest	-	143,526
Long-term debt due within one year	-	195,000
Long-term debt due in more than one year	-	6,948,745
Agency obligations	941,878	-
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 941,878</u>	<u>7,396,144</u>
NET POSITION		
Held in trust for Successor Agency activities		<u>\$ (6,338,160)</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, 2014**

	Successor Agency Trust Fund
ADDITIONS	
Taxes	\$ 272,822
Use of money and property	<u>1,133</u>
Total additions	<u>273,955</u>
DEDUCTIONS	
Administrative expenses	1,642,723
Interest	346,408
Amortization	<u>1,875</u>
Total deductions	<u>1,991,006</u>
Change in net position	<u>(1,717,051)</u>
Net position, beginning of year	<u>(4,516,131)</u>
Prior period adjustment	(104,978)
Net position, beginning of year, restated	<u>(4,621,109)</u>
Net position, ending of year	<u><u>\$ (6,338,160)</u></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, 2014**

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.

As required by generally accepted accounting principles (GAAP) in the United States and Governmental Accounting Standards Board (GASB) Statement No. 14, these financial statements present the City and its component units. Component units are legally separate entities for which the government is considered to be financially accountable. Additionally, blended component units can be organizations for which the exclusion from the financial statement would cause the reporting entity's financial statements to be misleading or incomplete. Each blended component unit has a June 30 year-end.

Blended Component Units

The following is a brief overview of the component units included in the City's accompanying financial statements. 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, 2014**

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 note receivable/interfund long-term debt, 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, 2014**

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 **Streets and Roads (LTF) Special Revenue Fund** accounts for revenues received from the passage of the Transportation Development Act. The use of these funds is limited to the improvement of streets and roads and other related expenditures.

The **Community Facilities District Capital Projects Fund** accounts for the capital projects of the City's Community Facilities District that was formed for the purpose of providing essential public facilities, such as wastewater treatment facilities and related pipelines; streets and bridges; signalization; water wells and related pipelines; and storm drainage facilities and related pipelines.

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 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Internal Service Funds (Continued):

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

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, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to 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.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

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 and Net Position

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.

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 required 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 represents 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

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

GAAP requires the reporting of capital assets in the financial statements. GASB Statement No. 34 added the requirement that the City report infrastructure including roads, bridges, sidewalks and traffic signals, in the financial statements. Prospective reporting of general infrastructure assets was required upon implementation of GASB Statement No. 34. However, the City has not maintained records of capital assets in its general ledger; therefore, capital assets and the related depreciation thereon are not reported in the government-wide or enterprise fund financial statements.

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, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (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.

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).

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 other revenue in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Fund Equity

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Please refer to Note 8 for additional information.

Use of Restricted and Unrestricted Net Position

When both restricted and unrestricted resources are available, circumstances existing at the time determine whether restricted resources are depleted first before the unrestricted resources are used.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

Government-Wide Financial Statements

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. The City has not maintained records of capital assets in its general ledger.
- ♦ *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.

The City considers restricted net position to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2010-11. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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).

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Fund Financial Statements (Continued)

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.

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. The City's committed fund balance includes:

General Fund Emergency Contingency:

The City's General Fund balance committed for emergency contingencies has been set by resolution and is for specific uses listed in the resolution.

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.

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 lien 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Property Tax Calendar (Continued)

Property taxes levied for the year ended June 30, 2014 are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year-end are considered “available” and are therefore recognized as revenue.

The City participates in the Teeter Plan adopted by Madera County in 1993-94. The Teeter Plan is an alternative method of apportioning property tax money that pays out 100% of the annual tax levy. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes that have not been paid in any year.

Pronouncements

a. New Accounting Pronouncements Adopted

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement did not have an impact on the City’s financial statements.

b. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the City’s fiscal year ending June 30, 2015.

Governmental Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the City’s fiscal year ending June 30, 2015.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 8,480,346
Restricted cash and investments	3,759,059
Statement of Fiduciary Net Position:	
Cash and investments	643,144
Restricted cash and investments	<u>827,466</u>
 Total cash and investments	 <u>\$ 13,710,015</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	2,148,397
Investments	<u>11,558,918</u>
 Total cash and investments	 <u>\$ 13,710,015</u>

Deposits

The carrying amount of the City's cash deposits was \$2,148,397 at June 30, 2014. Bank balances were \$2,152,151, 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 6,972,395	\$ 6,972,395	\$ -	\$ -	\$ -
Held by bond trustee:					
Treasury Obligation Fund	<u>4,586,523</u>	<u>4,586,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,558,918</u>	<u>\$ 11,558,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	Exempt from Disclosure	Ratings as of Year-End		
			A-1+	AAAm	Not Rated
State investment pool	\$ 6,972,395	\$ -	\$ -	\$ -	\$ 6,972,395
Held by bond trustee:					
Treasury Obligation Fund	<u>4,586,523</u>	<u>-</u>	<u>-</u>	<u>4,586,523</u>	<u>-</u>
Total	<u>\$ 11,558,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,586,523</u>	<u>\$ 6,972,395</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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:

<u>Issuer</u>	<u>Reported Amount</u>
First American Treasury Obligation	\$ 4,586,523

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:

\$369,738 of cash and investments (including amounts held by bond trustee) reported in the General Fund are held in the form of the above-described Treasury Obligation Fund.

\$258,488 of cash and investments (including amounts held by bond trustee) reported in the Debt Service Fund are held in the form of the above-described Treasury Obligation Fund.

\$3,133,831 of cash and investments (including amounts held by bond trustee) reported in the Community Facilities District Capital Projects Fund are held in the form of the above-described Treasury Obligation Fund.

\$549,650 of cash and investments (including amounts held by bond trustee) reported in the Successor Agency Trust Funds are held in the form of the above-described Treasury Obligation Fund.

\$277,816 of cash and investments (including amounts held by bond trustee) reported in the Greenhills Agency Fund are held in the form of the above-described Treasury Obligation Fund.

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 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 \$6,972,395. The total amount invested by all public agencies in LAIF at June 30, 2014, was \$21,119,834,294. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2014, was \$64,846,169,129. PMIA is not SEC-registered, but is required to invest according to California State Code. 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, 2014**

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:

	<u>General</u>	<u>CDBG Grants Special Revenue</u>	<u>Street & Road (LTF) Special Revenue</u>	<u>Community Facilities District Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:						
Accounts receivable	\$ 1,053,384	\$ 74,235	\$ 708,046	\$ 43,606	\$ 848,747	\$ 2,728,018
Accounts receivable - long-term	-	-	-	-	31,923	31,923
Notes receivable	-	20,418,448	-	-	488,446	20,906,894
Less: allowance for for uncollectibles	-	-	-	-	(142,193)	(142,193)
Net receivables	<u>\$ 1,053,384</u>	<u>\$ 20,492,683</u>	<u>\$ 708,046</u>	<u>\$ 43,606</u>	<u>\$ 1,226,923</u>	<u>\$ 23,524,642</u>

	<u>Business-Type Activities - Enterprise Funds</u>					
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Nonmajor Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Receivables:						
Accounts receivable	\$ 211,316	\$ 128,672	\$ 161,887	\$ 19,877	\$ 17,946	\$ 539,698
Less: allowance for for uncollectibles	(30,003)	(14,499)	(12,000)	(1,500)	-	(58,002)
Net receivables	<u>\$ 181,313</u>	<u>\$ 114,173</u>	<u>\$ 149,887</u>	<u>\$ 18,377</u>	<u>\$ 17,946</u>	<u>\$ 481,696</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable, net	\$ 2,728,018	\$ 481,696	\$ 3,209,714
Accounts receivable - long-term, net	31,923	-	31,923
Notes receivable, net	<u>20,764,701</u>	<u>-</u>	<u>20,764,701</u>
	<u>\$ 23,524,642</u>	<u>\$ 481,696</u>	<u>\$ 24,006,338</u>

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

The only receivables not expected to be collected in one year are as follows:

Accounts receivable in Storm Drain Capital Reserve Capital Projects Fund	\$ 31,923
Notes receivable in CDBG Grants Special Revenue Fund	20,418,448
Notes receivable in EDBG Grants Special Revenue Fund	277,403
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>68,850</u>
	<u>\$ 20,796,624</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – INTERNAL BALANCES

Due to and due from balances at June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 620,549	\$ -
CDBG Grants Special Revenue Fund	2,011	-
Community Facilities District Capital Projects Fund	559,445	-
Streets & Road (LTF) Special Revenue Fund	-	728,685
Nonmajor Funds:		
Measure T Special Revenue Fund	728,685	-
Maintenance Assessment District Special Revenue Fund	334,302	-
Transit System Special Revenue Fund	-	334,302
Public Safety Grants Special Revenue Fund	-	99,540
HOME grant Special Revenue Fund	-	2,011
Low and Moderate Low Income Housing Asset Fund	-	45,559
Debt Service Fund	-	263,522
Park Improvements Soccer Field Capital Projects Fund	-	2,177
Park Improvements Miscellaneous Capital Projects Fund	-	229,985
Park Development (IF) Capital Projects Fund	51,004	-
Park Grants Capital Projects Fund	181,158	-
Public Building Impact Fees	-	558,905
PFA Street Improvements-Capital Projects Fund	-	540
Fleet Maintenance Internal Service Fund	-	14,106
Information Technology Internal Service Fund	-	12,939
Enterprise Funds:		
Nonmajor Funds:		
Airport	-	76,354
Fiduciary Funds:		
Trust Funds	-	108,529
Total	<u>\$ 2,477,154</u>	<u>\$ 2,477,154</u>

The “due from” balances of \$2,477,154 in the funds listed above represents loans made to other funds to cover operating cash deficit.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2014 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 111,183	\$ 415,854 (1)
CDBG Grants Special Revenue Fund	-	-
Street and Road Fund (LTF) Special Revenue Fund	380,000 (2)	-
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	532,248 (2)
Transit System Special Revenue Fund	-	7,588
Public Safety Grants Special Revenue Fund	-	100,000
Ash Slough Arundo Removal Special Revenue Fund	-	11,183
Debt Service Funds	366,196 (1)	-
1994 PFA Street Improvements Capital Projects Fund	152,248 (2)	-
Enterprise Funds:		
Major Funds:		
Water Enterprise Fund	-	6,149
Sewer Enterprise Fund	-	13,634
Nonmajor Funds:		
Airport Enterprise Fund	1,000	-
Internal Service Funds	<u>76,029</u>	<u>-</u>
 Total	 <u>\$ 1,086,656</u>	 <u>\$ 1,086,656</u>

- (1) The General Fund transferred \$357,751 to the Debt Service Fund for the Civic Center debt service payments.
- (2) Street maintenance is being recorded in the Local Transportation Fund (LTF). The State Gas Tax Fund transferred \$380,000 for that purpose. The fund also transferred \$152,248 to the Street Improvements Fund for street improvements.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2014:

	June 30, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 299,880	\$ -	\$ (20,235)	279,645	\$ 162,625
2000 Refunding of 1994 PFA Revenue Bonds	1,163,620	-	(96,728)	1,066,892	113,524
2005 Civic Center Bond	5,245,000	-	(135,000)	5,110,000	145,000
2007 CFD Series Special Tax Bond	7,980,000	-	(175,000)	7,805,000	180,000
Measure T Interprogram Loan	945,000	-	(157,500)	787,500	157,500
State of California NSP Loan	9,913,215	-	-	9,913,215	-
Less: Discounts	<u>(166,229)</u>	<u>-</u>	<u>7,322</u>	<u>(158,907)</u>	<u>-</u>
Total Governmental Activities Long-Term Debt	<u>\$ 25,380,486</u>	<u>\$ -</u>	<u>\$ (577,141)</u>	<u>\$ 24,803,345</u>	<u>\$ 758,649</u>
Business-Type Activities:					
Westside Storm Drain Pond Project Refunding Lease	\$ 70,500	\$ -	\$ (70,500)	\$ -	\$ -
2000 Refunding of 1994 PFA Revenue Bonds	223,446	-	(70,374)	153,072	74,520
2001 USDA Sewer Bond	140,000	-	(15,000)	125,000	15,000
2001 Water Certificates of Participation	<u>585,000</u>	<u>-</u>	<u>(60,000)</u>	<u>525,000</u>	<u>60,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 1,018,946</u>	<u>\$ -</u>	<u>\$ (215,874)</u>	<u>\$ 803,072</u>	<u>\$ 149,520</u>

Long-term debt payable at June 30, 2014 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	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 113,524	\$ 57,927	\$ 74,520	\$ 7,122
2016	313,156	46,854	78,552	2,416
2017	113,754	35,876	-	-
2018	118,978	28,719	-	-
2019	129,146	21,090	-	-
2020-2021	<u>278,334</u>	<u>17,425</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,066,892</u>	<u>\$ 207,891</u>	<u>\$ 153,072</u>	<u>\$ 9,538</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT (Continued)

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 \$362,953 and are payable each January 1 and July 1 through 2035.

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 145,000	\$ 218,256
2016	150,000	212,538
2017	160,000	206,338
2018	165,000	199,837
2019	170,000	193,138
2020-2024	965,000	852,047
2025-2029	1,195,000	619,391
2030-2034	1,475,000	325,744
2035-2036	<u>685,000</u>	<u>31,163</u>
Total	<u>\$ 5,110,000</u>	<u>\$ 2,858,452</u>

2007 Community Facilities District (CFD) Special Tax Bond

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.

Annual debt service payments to maturity of the CFD Special Tax Bond are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 180,000	\$ 377,091
2016	190,000	369,041
2017	200,000	360,361
2018	210,000	351,136
2019	215,000	341,574
2020-2024	1,235,000	1,546,876
2025-2029	1,575,000	1,204,375
2030-2034	2,005,000	758,875
2035-2038	<u>1,995,000</u>	<u>205,375</u>
Total	<u>\$ 7,805,000</u>	<u>\$ 5,514,704</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – 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,	Governmental Activities	
	Principal	Interest
2014	\$ 157,500	\$ -
2015	157,500	-
2016	157,500	-
2017	157,500	-
2018	157,500	-
Total	<u>\$ 787,500</u>	<u>\$ -</u>

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. 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. Interest is accrued on the outstanding principal balance at the annual rate of 3% compounded annually. 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. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2014 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.

Westside Storm Drain Pond Project Refunding

The City has entered into lease agreements as lessee for financing the acquisition of various equipment and capital improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of inception date. The lease was paid in full during the 2013-14 fiscal year.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT (Continued)

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,	Business-Type Activities	
	Principal	Interest
2015	\$ 15,000	\$ 5,141
2016	15,000	4,484
2017	15,000	3,828
2018	20,000	3,063
2019	20,000	2,188
2020-2021	<u>40,000</u>	<u>1,750</u>
Total	<u>\$ 125,000</u>	<u>\$ 20,454</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 final payment due August 1, 2021.

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

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2015	\$ 60,000	\$ 21,656
2016	60,000	19,031
2017	65,000	16,297
2018	65,000	13,453
2019	65,000	10,609
2020-2021	<u>210,000</u>	<u>13,781</u>
Total	<u>\$ 525,000</u>	<u>\$ 94,828</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT (Continued)

Special Assessment District Debt

The City issued \$6,750,000 Limited Obligation Improvement Bonds on June 5, 2002, for the City of Chowchilla Assessment District No. 2002-1 (Pheasant Run), pursuant to the provisions of the Improvement Bond Act of 1915 for the purpose of financing the construction and acquisition of public improvements within the City's Assessment District No. 2002-1. The Bonds are fully secured by the unpaid special assessments levied on privately owned properties within the District. These Bonds have no governmental commitment. The Bonds 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, 2014 is \$4,380,000. However, the Bonds will be fully satisfied on September 2, 2014 from the proceeds of the 2013-1 Limited Obligation Refunding Bonds, as described below.

On August 26, 2003, the City issued \$6,595,000 of 2003-1 Limited Obligation Refunding Bonds (the "2003 Local Obligations") pursuant to the provisions of the Improvement Bond Act of 1915 to refund the outstanding 1994-1 Local Obligations Series A and B (collectively, the "1994-1 Local Obligations"), for the purpose of creating annual debt savings. The 2003 Local Obligations are secured by assessments levied against private property owners in the Greenhills Assessment District No. 2003-1. 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 outstanding balance as of June 30, 2014 is \$4,435,000.

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, 2014 is \$3,962,800.

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

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF CHOWCHILLA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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 no items to report in this category.

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 only one type, unavailable revenues. The unavailable revenues arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues totaled \$21,265,896.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City's defined benefit pension plans, (Miscellaneous Plan, Safety Fire Plan and the Safety Police Plan) provide retirement and disability benefits, which include annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan, Safety Fire Plan, and the Safety Police Plan are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95814.

(b) Funding Policy

Participants are required to contribute a portion of the total cost of the plan (Safety Police 9%, Safety Fire 9% and Miscellaneous 8%). Under the terms of the existing bargaining agreements, the City has agreed to pay a portion of the employees' share of the plan cost.

In addition, the City is required to contribute amounts necessary to fund the benefit for its members, at an actuarially determined rate applied to annual covered payroll. The required employer contribution rate for fiscal year 2013-14 was 18.488% for miscellaneous employees, 36.882% for the police safety group and 36.446% for the fire safety group. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(c) Annual Pension Costs

For fiscal year 2013-14, the City's annual pension cost of \$788,942 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (1) 7.5% investment rate of return – net of administrative expenses; (2) projected annual salary increases of 3.30% to 14.20% for both miscellaneous and safety employees (police and fire) depending on age, service, and type of employment; (3) 3.00% payroll growth; and (4) 3.0% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value). The City's unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

(d) Trend Information

The City's contributions to CalPERS for the Miscellaneous Plan, the Safety Fire Plan and the Safety Police Plan for the three years ending June 30, 2012, 2013, and 2014 are presented below:

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	\$620,253	100%	\$0
06/30/13	\$765,762	100%	\$0
06/30/14	\$788,942	100%	\$0

(e) Funded Status and Funding Progress

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
Safety Police Plan:						
06/30/13	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
Safety Fire Plan:						
06/30/13	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
Miscellaneous Plan:						
06/30/13	\$ 11,805,627,557	\$ 9,093,458,815	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%

The information presented above relates to the plan as a whole, of which the City is one participating employer.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9 – 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, 2014**

NOTE 10 – 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, 2014:

Total assets	\$ 80,694,798
Total liabilities	<u>65,440,947</u>
Total net position	<u>\$ 15,253,851</u>
Revenues	\$ 32,108,146
Expenses	<u>32,739,704</u>
Change in net position	<u><u>\$ (631,558)</u></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, 2014**

NOTE 11 – DEFICIT IN FUND EQUITY

Major Enterprise Funds

Water Enterprise Fund – A deficit in fund net position at June 30, 2014, in the amount of \$337,969 in the fund is primarily due to the recording of long-term debt without recording of the related capital assets. Once capital assets are recorded, the deficit balance should be eliminated.

Nonmajor Enterprise Funds

Airport Enterprise Fund – A deficit in fund net position at June 30, 2014, in the amount of \$65,171 is due to the prior management's application of excessive overhead charges year after year. While the overhead charges are no longer being applied, a plan to generate additional revenues from airport operations is needed to eliminate the deficit.

Nonmajor Governmental Funds

Transit System Special Revenue Fund – A deficit in fund balance at June 30, 2014, in the amount of \$117,316, 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 deferred revenue in the financial statements.

Public Safety Grants Special Revenue Fund – A deficit in fund balance at June 30, 2014, in the amount of \$24,540, is due to the fact that the 4th Quarter SLESF payment of \$25,000 had not been received within the 60-day measurement period.

HOME Grants Special Revenue Fund – A deficit in fund balance at June 30, 2014, in the amount of \$2,011, is due to the fact that all of the City's receivables are currently unavailable to be collected. The repayment of these loans will eliminate the deficit.

Debt Service Fund – A deficit in fund balance at June 30, 2014, in the amount of \$8,034, is due primarily to the fact that debt service payments during the 2013-14 fiscal year exceeded funds transferred into the fund for said payments. Additional transfers will be required in the future to permanently eliminate the deficit.

Park Improvements – Soccer Field Capital Projects Fund – A deficit in fund balance at June 30, 2014, in the amount of \$2,177, is due to the fact that fiscal year 2013-14 capital outlay expenditures exceeded available funds. A transfer from the General Fund may be required in the future to permanently eliminate the deficit.

Park Improvements – Miscellaneous Capital Projects Fund – A deficit in fund balance at June 30, 2014, in the amount of \$229,958, is due primarily to the fact that prior management expended more money than was available on projects. Staff is trying to determine whether there are other funds available to transfer into this account in order to offset the deficit. A transfer from the General Fund may be required in the future to permanently eliminate the deficit.

Public Building Impact Fees Fund Capital Project Fund – A deficit in fund balance at June 30, 2014, in the amount of \$558,905, in the fund is primarily due to the fact that prior management overspent the account in order to construct the new Civic Center complex. Future deposits received from developer fee payments will eliminate the deficit over a period of several years.

1994 PFA Streets Improvement Capital Projects Fund – A deficit in fund balance at June 30, 2014, in the amount of \$540, is due primarily to the fact that debt service payments during the 2013-14 fiscal year exceeded funds transferred into the fund for said payments. Additional transfers will be required in the future to permanently eliminate the deficit.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 – DEFICIT IN FUND EQUITY (Continued)

Internal Service Fund

Fleet Maintenance Internal Service Fund – A deficit in fund net position at June 30, 2014, in the amount of \$18,020, exists because current and prior year expenses required to maintain the City’s fleet exceeded the amount allocated to pay for the expenses. Either reduced future costs or additional allocations from other funds will be required to eliminate the deficit.

Information Technology Internal Service Fund – A deficit in fund net position at June 30, 2014, in the amount of \$19,959, exists because current and prior year expenses required to service the City’s information technology employees and maintenance exceeded the amount allocated to pay for the expenses. Either reduced future costs or additional allocations from other funds will be required to eliminate the deficit.

Employee Benefits Internal Service Fund – A deficit in fund net position at June 30, 2014, in the amount of \$292,358, 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 12 – 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, 2014, 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 Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ -	\$ 45,771
Streets and Roads (LTF) Special Revenue Fund	77,393	-	-
Aggregate Non-Major Funds	321,980	-	-

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 – 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 reasonable 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

A reconciliation of the Successor Agency Trust Fund’s cash balances as of June 30, 2014 is as follows:

Cash with fiscal agent	<u>\$ 549,650</u>
Total cash	<u><u>\$ 549,650</u></u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

Long-term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2014 was comprised of the following:

	June 30, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year	Amounts Due More Than One Year
2005 RDA Bond	\$ 7,325,000	\$ -	\$ (165,000)	\$ 7,160,000	\$ 170,000	6,990,000
County of Madera RDA Loan	50,000	-	(25,000)	25,000	25,000	-
Less: Discounts	<u>(43,130)</u>	<u>-</u>	<u>1,875</u>	<u>(41,255)</u>	<u>-</u>	<u>(41,255)</u>
Total	<u>\$ 7,331,870</u>	<u>\$ -</u>	<u>\$ (188,125)</u>	<u>\$ 7,143,745</u>	<u>\$ 195,000</u>	<u>\$ 6,948,745</u>

2005 RDA Bond

In 2005, the City issued Tax Allocation Bonds in the aggregate principal amount of \$7,945,000 to finance the acquisition and construction of public capital improvements within the Redevelopment Project Area. The original amount of the note (\$7,945,000) was secured by a pledge of tax revenues consisting of tax increment payments to be received by the RDA. Semiannual payments range from \$12,000 to \$492,000 and are payable each February 1 and August 1 through 2037. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the 2005 RDA Bond of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Annual debt service requirements to maturity for the 2005 RDA Bond are as follows:

Fiscal Years Ending	2005 RDA Bond		
	Principal	Interest	Total
2015	\$ 170,000	\$ 343,100	\$ 513,100
2016	180,000	335,525	515,525
2017	185,000	327,600	512,600
2018	195,000	319,169	514,169
2019	205,000	310,144	515,144
2020-2024	1,155,000	1,398,713	2,553,713
2025-2029	1,460,000	1,089,975	2,549,975
2030-2034	1,825,000	681,375	2,506,375
2035-2038	<u>1,785,000</u>	<u>183,875</u>	<u>1,968,875</u>
Total	<u>\$ 7,160,000</u>	<u>\$ 4,989,476</u>	<u>\$ 12,149,476</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)

Long-term Debt (Continued)

County of Madera RDA Loan

The City entered into a loan agreement in 2008, with the County of Madera for the purpose of obtaining real property for redevelopment purposes. Principal is payable annually on September 1 in the amount \$25,000, with no interest due, and matures on September 1, 2015. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the County of Madera RDA Loan of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Annual debt service requirements to maturity for the County of Madera RDA Loan are as follows:

Fiscal Year Ending June 30,	Loan Payable to County of Madera		
	Principal	Interest	Total
2015	\$ 25,000	\$ -	\$ 25,000
Total	\$ 25,000	\$ -	\$ 25,000

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 10.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the year the following prior period adjustments were recorded:

	<u>Governmental Funds Adjustments</u>	<u>Governmental Activities Adjustments</u>
GOVERNMENTAL FUNDS AND GOVERNMENTAL ACTIVITIES		
General Fund		
Cash was understated in the prior year	\$ 42,382	\$ 42,382
Revenue was understated in the prior year	<u>27,000</u>	<u>27,000</u>
Total General Fund adjustments	<u>69,382</u>	<u>69,382</u>
Community Development Block Grant Fund		
Deferred revenue was not recorded against housing loans in prior years	(4,488,772)	-
Interest expense was understated in previous years	<u>-</u>	<u>(423,725)</u>
Total Community Development Block Grant Fund adjustments	<u>(4,488,772)</u>	<u>(423,725)</u>
Community Facilities District Capital Projects Fund		
Revenue was overstated in the prior year	<u>(5,708)</u>	<u>(5,708)</u>
Total Community Facilities District Capital Projects Fund adjustments	<u>(5,708)</u>	<u>(5,708)</u>
Other Governmental Funds		
Deferred revenue was not recorded against housing loans in prior years	(381,275)	-
Long-term debt balance was understated in the prior year	<u>-</u>	<u>(4,930)</u>
Total Other Governmental Funds adjustments	<u>(381,275)</u>	<u>(4,930)</u>
Total Governmental Funds and Governmental Activities adjustments	<u>\$ (4,806,373)</u>	<u>\$ (364,981)</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 – PRIOR PERIOD ADJUSTMENTS (Continued)

During the year the following prior period adjustments were recorded:

ENTERPRISE FUNDS AND BUSINESS-TYPE ACTIVITIES	<u>Adjustments</u>
Water Fund	
Expenses were understated in the prior year	\$ 409,893
Cash was understated in the prior year	<u>10,504</u>
Total Water Fund adjustments	<u>420,397</u>
Solid Waste Fund	
Cash was understated in prior years	<u>2,829</u>
Total Solid Waste Fund adjustments	<u>2,829</u>
Sewer Fund	
Cash was understated in the prior year	<u>11,314</u>
Total Sewer Fund adjustments	<u>11,314</u>
Other Enterprise Funds	
Utility revenues were overstated in prior years	(53,600)
Cash was understated in prior years	2,829
Expenses were overstated in the prior year	2,333
Revenue was overstated in the prior year	<u>(9,095)</u>
Total Other Enterprise Funds adjustments	<u>(57,533)</u>
Total Enterprise and Business-type Activities adjustments	<u>\$ 377,007</u>
 FIDUCIARY FUNDS	
Successor Agency Trust Fund	
Revenue was overstated in the prior year	<u>\$ (104,978)</u>
Total Successor Agency Trust Fund adjustments	<u>\$ (104,978)</u>

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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,157,500	\$ 2,157,500	\$ 2,443,001	\$ 285,501
Licenses and permits	391,300	391,300	552,237	160,937
Fines and penalties	60,300	60,300	51,361	(8,939)
Intergovernmental	1,527,100	1,527,100	1,283,517	(243,583)
Use of money and property	73,870	73,870	83,470	9,600
Charges for services	215,100	215,100	222,318	7,218
Miscellaneous	<u>191,756</u>	<u>191,756</u>	<u>229,398</u>	<u>37,642</u>
Total revenues	<u>4,616,926</u>	<u>4,616,926</u>	<u>4,865,302</u>	<u>248,376</u>
EXPENDITURES				
Current:				
General government	665,562	665,562	851,619	(186,057)
Public safety	2,821,658	2,821,658	3,078,185	(256,527)
Highways and streets	237,927	237,927	235,736	2,191
Culture and recreation	303,644	303,644	288,896	14,748
Capital outlay	<u>271,998</u>	<u>271,998</u>	<u>212,612</u>	<u>59,386</u>
Total expenditures	<u>4,300,789</u>	<u>4,300,789</u>	<u>4,667,048</u>	<u>(366,259)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>316,137</u>	<u>316,137</u>	<u>198,254</u>	<u>(117,883)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	450,000	450,000	111,183	(338,817)
Transfers out	(571,616)	(571,616)	(415,854)	155,762
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>24,317</u>	<u>24,317</u>
Total other financing sources (uses)	<u>(121,616)</u>	<u>(121,616)</u>	<u>(280,354)</u>	<u>(158,738)</u>
Net change in fund balance	<u>194,521</u>	<u>194,521</u>	<u>(82,100)</u>	<u>(276,621)</u>
Fund balances, beginning	1,942,496	1,942,496	1,942,496	-
Prior period adjustments	<u>69,382</u>	<u>69,382</u>	<u>69,382</u>	<u>-</u>
Fund balances, beginning of year, restated	<u>2,011,878</u>	<u>2,011,878</u>	<u>2,011,878</u>	<u>-</u>
Fund balances, ending	<u>\$ 2,206,399</u>	<u>\$ 2,206,399</u>	<u>\$ 1,929,778</u>	<u>\$ (276,621)</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 146,312	\$ 61,312
Use of money and property	-	-	296	296
Charges for services	-	-	<u>18,000</u>	<u>18,000</u>
Total revenues	<u>85,000</u>	<u>85,000</u>	<u>164,608</u>	<u>79,608</u>
EXPENDITURES				
Current:				
Community development	<u>121,150</u>	<u>121,150</u>	<u>70,649</u>	<u>50,501</u>
Total expenditures	<u>121,150</u>	<u>121,150</u>	<u>70,649</u>	<u>50,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,150)</u>	<u>(36,150)</u>	<u>93,959</u>	<u>130,109</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from promissory note	<u>35,000</u>	<u>35,000</u>	<u>62,285</u>	<u>27,285</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>62,285</u>	<u>27,285</u>
Net change in fund balance	(1,150)	(1,150)	156,244	157,394
Fund balances, beginning	4,574,687	4,574,687	4,574,687	-
Prior period adjustments	<u>(4,488,772)</u>	<u>(4,488,772)</u>	<u>(4,488,772)</u>	-
Fund balances, beginning of year, restated	<u>85,915</u>	<u>85,915</u>	<u>85,915</u>	-
Fund balances, ending	<u>\$ 84,765</u>	<u>\$ 84,765</u>	<u>\$ 242,159</u>	<u>\$ 157,394</u>

CITY OF CHOWCHILLA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
STREET & ROAD (LTF) SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 500	\$ 500	\$ 100	\$ (400)
Intergovernmental	576,886	576,886	488,052	(88,834)
Use of money and property	-	-	(511)	(511)
Miscellaneous	-	-	2,210	2,210
Total revenues	<u>577,386</u>	<u>577,386</u>	<u>489,851</u>	<u>(87,535)</u>
EXPENDITURES				
Current:				
Highways and streets	596,298	596,298	516,817	79,481
Capital outlay	<u>729,724</u>	<u>729,724</u>	<u>744,330</u>	<u>(14,606)</u>
Total expenditures	<u>1,326,022</u>	<u>1,326,022</u>	<u>1,261,147</u>	<u>64,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(748,636)</u>	<u>(748,636)</u>	<u>(771,296)</u>	<u>(22,660)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,067,155	1,067,155	380,000	(687,155)
Transfers out	<u>(147,744)</u>	<u>(147,744)</u>	-	147,744
Total other financing sources (uses)	<u>919,411</u>	<u>919,411</u>	<u>380,000</u>	<u>(539,411)</u>
Net change in fund balance	170,775	170,775	(391,296)	(562,071)
Fund balances, beginning	<u>126,472</u>	<u>126,472</u>	<u>126,472</u>	-
Fund balances, ending	<u>\$ 297,247</u>	<u>\$ 297,247</u>	<u>\$ (264,824)</u>	<u>\$ (562,071)</u>

CITY OF CHOWCHILLA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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 following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2014:

General Fund	
Current:	
General government	\$ 186,057
Public Safety	256,527
Streets and Roads (LTF) Special Revenue Fund:	
Capital outlay	14,606

CITY OF CHOWCHILLA

**SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

The City's defined benefit pension plans, the Miscellaneous Plan, the Safety Fire Plan, and the Safety Police Plan, are cost-sharing multiple employer defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The information presented in below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the City is one participating employer.

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
Safety Police Plan:						
06/30/11	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
06/30/12	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%
06/30/13	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
Safety Fire Plan:						
06/30/11	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
06/30/12	\$ 2,183,549,942	\$ 1,896,139,291	\$ 287,410,651	86.8%	\$ 232,078,083	123.8%
06/30/13	\$ 16,086,316,273	\$ 12,092,373,658	\$ 3,993,942,615	75.2%	\$ 1,263,625,356	316.1%
Miscellaneous Plan:						
06/30/11	\$ 2,135,350,204	\$ 1,724,200,585	\$ 411,149,619	80.7%	\$ 350,121,750	117.4%
06/30/12	\$ 2,254,622,362	\$ 1,837,489,422	\$ 417,132,940	81.5%	\$ 339,228,272	123.0%
06/30/13	\$ 11,805,627,557	\$ 9,093,458,815	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%

OTHER SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 1,788,779	\$ -	\$ 5,045,772	\$ 6,834,551
Restricted cash and investments	-	255,488	-	255,488
Accounts receivable	838,099	-	10,648	848,747
Notes receivable, net	346,253	-	-	346,253
Due from other funds	1,062,987	-	232,162	1,295,149
Land held for resale	104,000	-	-	104,000
Accounts receivable - long-term	<u>-</u>	<u>-</u>	<u>31,923</u>	<u>31,923</u>
 Total assets	 <u>\$ 4,140,118</u>	 <u>\$ 255,488</u>	 <u>\$ 5,320,505</u>	 <u>\$ 9,716,111</u>
LIABILITIES				
Accounts payable	\$ 83,385	\$ -	\$ 31,110	\$ 114,495
Due to other funds	<u>481,412</u>	<u>263,522</u>	<u>791,607</u>	<u>1,536,541</u>
 Total liabilities	 <u>564,797</u>	 <u>263,522</u>	 <u>822,717</u>	 <u>1,651,036</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>524,754</u>	<u>-</u>	<u>-</u>	<u>524,754</u>
 Total deferred inflows of resources	 <u>524,754</u>	 <u>-</u>	 <u>-</u>	 <u>524,754</u>
FUND BALANCES (DEFICIT):				
Nonspendable	104,000	-	31,923	135,923
Restricted for:				
Highway and streets	2,730,439	-	-	2,730,439
Culture and recreation	-	-	467,451	467,451
Community development	405,554	-	-	405,554
Capital maintenance	-	-	5,096,021	5,096,021
Unassigned	<u>(189,426)</u>	<u>(8,034)</u>	<u>(1,097,607)</u>	<u>(1,295,067)</u>
 Total fund balances (deficit)	 <u>3,050,567</u>	 <u>(8,034)</u>	 <u>4,497,788</u>	 <u>7,540,321</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,140,118</u>	 <u>\$ 255,488</u>	 <u>\$ 5,320,505</u>	 <u>\$ 9,716,111</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Intergovernmental	\$ 2,008,254	\$ -	\$ -	\$ 2,008,254
Use of money and property	12,048	102	8,130	20,280
Charges for services	318,421	-	146,662	465,083
Loan repayments	21,544	-	-	21,544
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,371</u>	<u>2,371</u>
Total revenues	<u>2,360,267</u>	<u>102</u>	<u>157,163</u>	<u>2,517,532</u>
EXPENDITURES				
Current:				
General government	-	1,782	1,111	2,893
Highway and streets	645,324	-	33,457	678,781
Community development	7,125	-	-	7,125
Capital outlay	357,417	-	78,349	435,766
Debt service:				
Principal	157,500	140,000	96,645	394,145
Interest	<u>3,331</u>	<u>231,958</u>	<u>55,603</u>	<u>290,892</u>
Total expenditures	<u>1,170,697</u>	<u>373,740</u>	<u>265,165</u>	<u>1,809,602</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,189,570</u>	<u>(373,638)</u>	<u>(108,002)</u>	<u>707,930</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	366,196	152,248	518,444
Transfers out	<u>(651,019)</u>	<u>-</u>	<u>-</u>	<u>(651,019)</u>
Total other financing sources (uses)	<u>(651,019)</u>	<u>366,196</u>	<u>152,248</u>	<u>(132,575)</u>
Net changes in fund balances	<u>538,551</u>	<u>(7,442)</u>	<u>44,246</u>	<u>575,355</u>
Fund balances (deficit), beginning of year	2,893,291	(592)	4,453,542	7,346,241
Prior period adjustments	<u>(381,275)</u>	<u>-</u>	<u>-</u>	<u>(381,275)</u>
Fund balances (deficit), beginning of year, restated	<u>2,512,016</u>	<u>(592)</u>	<u>4,453,542</u>	<u>6,964,966</u>
Fund balances (deficit), end of year	<u>\$ 3,050,567</u>	<u>\$ (8,034)</u>	<u>\$ 4,497,788</u>	<u>\$ 7,540,321</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014**

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>Transit System</u>
ASSETS					
Cash and investments	\$ 303,453	\$ 99,717	\$ 349,863	\$ 630,124	\$ -
Accounts receivable	56,084	127,095	167,128	16,278	367,139
Notes receivable, net	-	-	-	-	-
Due from other funds	-	-	728,685	334,302	-
Land held for resale	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 359,537</u>	<u>\$ 226,812</u>	<u>\$ 1,245,676</u>	<u>\$ 980,704</u>	<u>\$ 367,139</u>
LIABILITIES					
Accounts payable	\$ 58,878	\$ -	\$ 2,135	\$ 4,984	\$ 17,322
Due to other funds	-	-	-	-	334,302
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>58,878</u>	<u>-</u>	<u>2,135</u>	<u>4,984</u>	<u>351,624</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	11,182	5,111	132,831
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>11,182</u>	<u>5,111</u>	<u>132,831</u>
FUND BALANCES (DEFICIT):					
Nonspendable	-	-	-	-	-
Restricted for:					
Highway and streets	300,659	226,812	1,232,359	970,609	-
Community development	-	-	-	-	-
Unassigned	-	-	-	-	(117,316)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>300,659</u>	<u>226,812</u>	<u>1,232,359</u>	<u>970,609</u>	<u>(117,316)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 359,537</u>	<u>\$ 226,812</u>	<u>\$ 1,245,676</u>	<u>\$ 980,704</u>	<u>\$ 367,139</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014**

	Public Safety Grants	HOME Grant	EDBG Grant	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
ASSETS						
Cash and investments	\$ -	\$ -	\$ 405,617	\$ 5	\$ -	\$ 1,788,779
Accounts receivable	100,000	4,375	-	-	-	838,099
Notes receivable, net	-	-	277,403	-	68,850	346,253
Due from other funds	-	-	-	-	-	1,062,987
Land held for resale	-	-	-	-	104,000	104,000
Total assets	\$ 100,000	\$ 4,375	\$ 683,020	\$ 5	\$ 172,850	\$ 4,140,118
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ -	\$ 66	\$ -	\$ -	\$ 83,385
Due to other funds	99,540	2,011	-	-	45,559	481,412
Total liabilities	99,540	2,011	66	-	45,559	564,797
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	25,000	4,375	277,405	-	68,850	524,754
Total deferred inflows of resources	25,000	4,375	277,405	-	68,850	524,754
FUND BALANCES (DEFICIT):						
Nonspendable	-	-	-	-	104,000	104,000
Restricted for:						
Highway and streets	-	-	-	-	-	2,730,439
Community development	-	-	405,549	5	-	405,554
Unassigned	(24,540)	(2,011)	-	-	(45,559)	(189,426)
Total fund balances (deficit)	(24,540)	(2,011)	405,549	5	58,441	3,050,567
Total liabilities, deferred inflows of resources, and fund balances	\$ 100,000	\$ 4,375	\$ 683,020	\$ 5	\$ 172,850	\$ 4,140,118

CITY OF CHOWCHILLA

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

	State Gas Tax	RSTP	Measure T Fund	Maintenance Assessment District	Transit System
REVENUES					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	514,294	271,883	439,041	-	652,702
Use of money and property	961	304	2,066	1,239	(435)
Charges for services	-	-	-	293,905	24,516
Loan repayments	-	-	-	-	-
Total revenues	<u>515,255</u>	<u>272,187</u>	<u>441,107</u>	<u>295,144</u>	<u>676,783</u>
EXPENDITURES					
Current:					
Highway and streets	-	-	1,105	260,625	383,594
Community Development	-	-	-	-	-
Capital outlay	-	178,037	162,737	-	16,268
Debt service:					
Principal	-	-	157,500	-	-
Interest	-	-	3,331	-	-
Total expenditures	<u>-</u>	<u>178,037</u>	<u>324,673</u>	<u>260,625</u>	<u>399,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>515,255</u>	<u>94,150</u>	<u>116,434</u>	<u>34,519</u>	<u>276,921</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(532,248)</u>	-	-	-	<u>(7,588)</u>
Total other financing sources (uses)	<u>(532,248)</u>	-	-	-	<u>(7,588)</u>
Net changes in fund balances	<u>(16,993)</u>	<u>94,150</u>	<u>116,434</u>	<u>34,519</u>	<u>269,333</u>
Fund balances (deficit), beginning of year	317,652	132,662	1,115,925	936,090	(386,649)
Prior period adjustments	-	-	-	-	-
Fund balances (deficit), beginning of year, restated	<u>317,652</u>	<u>132,662</u>	<u>1,115,925</u>	<u>936,090</u>	<u>(386,649)</u>
Fund balances (deficit), end of year	<u>\$ 300,659</u>	<u>\$ 226,812</u>	<u>\$ 1,232,359</u>	<u>\$ 970,609</u>	<u>\$ (117,316)</u>

CITY OF CHOWCHILLA

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

	Public Safety Grants	HOME Grant	EDBG Grant	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	125,959	4,375	-	-	-	2,008,254
Use of money and property	(94)	(1)	7,965	21	22	12,048
Charges for services	-	-	-	-	-	318,421
Loan repayments	-	-	21,544	-	-	21,544
Total revenues	<u>125,865</u>	<u>4,374</u>	<u>29,509</u>	<u>21</u>	<u>22</u>	<u>2,360,267</u>
EXPENDITURES						
Current:						
Highway and streets	-	-	-	-	-	645,324
Community Development	-	6,365	760	-	-	7,125
Capital outlay	375	-	-	-	-	357,417
Debt service:						
Principal	-	-	-	-	-	157,500
Interest	-	-	-	-	-	3,331
Total expenditures	<u>375</u>	<u>6,365</u>	<u>760</u>	<u>-</u>	<u>-</u>	<u>1,170,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,490</u>	<u>(1,991)</u>	<u>28,749</u>	<u>21</u>	<u>22</u>	<u>1,189,570</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(11,183)</u>	<u>-</u>	<u>(651,019)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(11,183)</u>	<u>-</u>	<u>(651,019)</u>
Net changes in fund balances	<u>25,490</u>	<u>(1,991)</u>	<u>28,749</u>	<u>(11,162)</u>	<u>22</u>	<u>538,551</u>
Fund balances (deficit), beginning of year	(50,030)	(20)	689,225	11,167	127,269	2,893,291
Prior period adjustments	-	-	(312,425)	-	(68,850)	(381,275)
Fund balances (deficit), beginning of year, restated	<u>(50,030)</u>	<u>(20)</u>	<u>376,800</u>	<u>11,167</u>	<u>58,419</u>	<u>2,512,016</u>
Fund balances (deficit), end of year	<u>\$ (24,540)</u>	<u>\$ (2,011)</u>	<u>\$ 405,549</u>	<u>\$ 5</u>	<u>\$ 58,441</u>	<u>\$ 3,050,567</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2014**

	<u>Debt Service Fund</u>
ASSETS	
Restricted cash and investments	\$ 255,488
Total assets	<u>\$ 255,488</u>
LIABILITIES	
Due to other funds	<u>\$ 263,522</u>
Total liabilities	<u>263,522</u>
FUND BALANCES (DEFICIT):	
Unassigned	<u>(8,034)</u>
Total fund balances (deficit)	<u>(8,034)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 255,488</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Debt Service Fund</u>
REVENUES	
Use of money and property	\$ <u>102</u>
Total revenues	<u>102</u>
EXPENDITURES	
Current:	
General government	1,782
Debt service:	
Principal	140,000
Interest	<u>231,958</u>
Total expenditures	<u>373,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,638)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>366,196</u>
Total other financing sources (uses)	<u>366,196</u>
Net change in fund balances	(7,442)
Fund balances (deficit), beginning of year	<u>(592)</u>
Fund balances (deficit), end of year	<u>\$ (8,034)</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>SR99/Ave 26 Interchange</u>	<u>SR99/Road 17 Interchange</u>	<u>Road Improvement</u>
ASSETS					
Pooled cash and investments	\$ 530,401	\$ 531,318	\$ 13,184	\$ 311,725	\$ 758,294
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable - long-term	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 530,401</u>	<u>\$ 531,318</u>	<u>\$ 13,184</u>	<u>\$ 311,725</u>	<u>\$ 758,294</u>
LIABILITIES					
Accounts payable	\$ 3,506	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT):					
Nonspendable	-	-	-	-	-
Restricted for:					
Culture and recreation	-	-	-	-	-
Capital maintenance	526,895	531,318	13,184	311,725	758,294
Unassigned	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>526,895</u>	<u>531,318</u>	<u>13,184</u>	<u>311,725</u>	<u>758,294</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 530,401</u>	<u>\$ 531,318</u>	<u>\$ 13,184</u>	<u>\$ 311,725</u>	<u>\$ 758,294</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014**

	<u>Signalization Impact Fees</u>	<u>Waste Water System Capital</u>	<u>Park Improvements Soccer Field</u>	<u>Park Improvements Miscellaneous</u>	<u>Park Development (IF)</u>	<u>Park Grants</u>
ASSETS						
Pooled cash and investments	\$ 375,874	\$ 674,991	\$ -	\$ -	\$ -	\$ 4,551
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	51,004	181,158
Accounts receivable - long-term	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 375,874</u>	<u>\$ 674,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,004</u>	<u>\$ 185,709</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,346	\$ 24,258
Due to other funds	-	-	2,177	229,985	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,177</u>	<u>229,985</u>	<u>3,346</u>	<u>24,258</u>
FUND BALANCES (DEFICIT):						
Nonspendable	-	-	-	-	-	-
Restricted for:						
Culture and recreation	-	-	306,000	-	-	161,451
Capital maintenance	375,874	674,991	-	-	47,658	-
Unassigned	-	-	(308,177)	(229,985)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>375,874</u>	<u>674,991</u>	<u>(2,177)</u>	<u>(229,985)</u>	<u>47,658</u>	<u>161,451</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 375,874</u>	<u>\$ 674,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,004</u>	<u>\$ 185,709</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014**

	Water Systems Capital	Storm Drain Capital	Public Building Impact Fees	1994 PFA Streets Improvements	Total
ASSETS					
Pooled cash and investments	\$ 185,469	\$ 1,659,965	\$ -	\$ -	\$ 5,045,772
Accounts receivable	-	10,648	-	-	10,648
Due from other funds	-	-	-	-	232,162
Accounts receivable - long-term	-	31,923	-	-	31,923
	<u>-</u>	<u>31,923</u>	<u>-</u>	<u>-</u>	<u>31,923</u>
Total assets	<u>\$ 185,469</u>	<u>\$ 1,702,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,320,505</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 31,110
Due to other funds	-	-	558,905	540	791,607
	<u>-</u>	<u>-</u>	<u>558,905</u>	<u>540</u>	<u>791,607</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>558,905</u>	<u>540</u>	<u>822,717</u>
FUND BALANCES (DEFICIT):					
Nonspendable	-	31,923	-	-	31,923
Restricted for:					
Culture and recreation	-	-	-	-	467,451
Capital maintenance	185,469	1,670,613	-	-	5,096,021
Unassigned	-	-	(558,905)	(540)	(1,097,607)
	<u>-</u>	<u>-</u>	<u>(558,905)</u>	<u>(540)</u>	<u>(1,097,607)</u>
Total fund balances (deficit)	<u>185,469</u>	<u>1,702,536</u>	<u>(558,905)</u>	<u>(540)</u>	<u>4,497,788</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 185,469</u>	<u>\$ 1,702,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,320,505</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Police Impact Fees	Fire Impact Fees	SR99/Ave 26 Interchange	SR99/Road 17 Interchange	Road Improvement
REVENUES					
Use of money and property	\$ 1,025	\$ 983	\$ 24	\$ 580	\$ 1,391
Charges for services	3,917	5,876	817	382	13,536
Miscellaneous	-	-	-	-	-
Total revenues	<u>4,942</u>	<u>6,859</u>	<u>841</u>	<u>962</u>	<u>14,927</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Highway and streets	-	-	-	-	-
Capital outlay	40,448	2,861	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>40,448</u>	<u>2,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,506)</u>	<u>3,998</u>	<u>841</u>	<u>962</u>	<u>14,927</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(35,506)	3,998	841	962	14,927
Fund balances (deficit), beginning of year	<u>562,401</u>	<u>527,320</u>	<u>12,343</u>	<u>310,763</u>	<u>743,367</u>
Fund balances (deficit), end of year	<u>\$ 526,895</u>	<u>\$ 531,318</u>	<u>\$ 13,184</u>	<u>\$ 311,725</u>	<u>\$ 758,294</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Signalization Impact Fees	Waste Water System Capital	Park Improvements Soccer Field	Park Improvements Miscellaneous	Park Development (IF)	Park Grants
REVENUES						
Use of money and property	\$ 698	\$ 1,257	\$ 4	\$ (428)	\$ 138	\$ 346
Charges for services	1,188	1,386	-	-	-	-
Miscellaneous	-	-	-	-	2,371	-
Total revenues	<u>1,886</u>	<u>2,643</u>	<u>4</u>	<u>(428)</u>	<u>2,509</u>	<u>346</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Highway and streets	-	-	-	-	33,457	-
Capital outlay	-	-	6,092	-	-	24,258
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>6,092</u>	<u>-</u>	<u>33,457</u>	<u>24,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,886</u>	<u>2,643</u>	<u>(6,088)</u>	<u>(428)</u>	<u>(30,948)</u>	<u>(23,912)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	1,886	2,643	(6,088)	(428)	(30,948)	(23,912)
Fund balances (deficit), beginning of year	<u>373,988</u>	<u>672,348</u>	<u>3,911</u>	<u>(229,557)</u>	<u>78,606</u>	<u>185,363</u>
Fund balances (deficit), end of year	<u>\$ 375,874</u>	<u>\$ 674,991</u>	<u>\$ (2,177)</u>	<u>\$ (229,985)</u>	<u>\$ 47,658</u>	<u>\$ 161,451</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Water Systems Capital	Storm Drain Capital	Public Building Impact Fees	1994 PFA Streets Improvements	Total
REVENUES					
Use of money and property	\$ 342	\$ 2,982	\$ (1,042)	\$ (170)	\$ 8,130
Charges for services	2,129	116,345	1,086	-	146,662
Miscellaneous	-	-	-	-	2,371
Total revenues	<u>2,471</u>	<u>119,327</u>	<u>44</u>	<u>(170)</u>	<u>157,163</u>
EXPENDITURES					
Current:					
General government	-	1,111	-	-	1,111
Highway and streets	-	-	-	-	33,457
Capital outlay	-	4,690	-	-	78,349
Debt service:					
Principal	-	-	-	96,645	96,645
Interest	-	-	-	55,603	55,603
Total expenditures	<u>-</u>	<u>5,801</u>	<u>-</u>	<u>152,248</u>	<u>265,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,471</u>	<u>113,526</u>	<u>44</u>	<u>(152,418)</u>	<u>(108,002)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	152,248	152,248
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,248</u>	<u>152,248</u>
Net changes in fund balances	2,471	113,526	44	(170)	44,246
Fund balances (deficit), beginning of year	<u>182,998</u>	<u>1,589,010</u>	<u>(558,949)</u>	<u>(370)</u>	<u>4,453,542</u>
Fund balances (deficit), end of year	<u>\$ 185,469</u>	<u>\$ 1,702,536</u>	<u>\$ (558,905)</u>	<u>\$ (540)</u>	<u>\$ 4,497,788</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 9,940	\$ -	\$ 9,940
Accounts receivable, net	18,377	17,946	36,323
Prepaid expenses	<u>-</u>	<u>2,333</u>	<u>2,333</u>
Total assets	<u>28,317</u>	<u>20,279</u>	<u>48,596</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,954	-	1,954
Due to other funds	-	76,354	76,354
Unearned revenue	<u>-</u>	<u>9,096</u>	<u>9,096</u>
Total current liabilities	<u>1,954</u>	<u>85,450</u>	<u>87,404</u>
Total liabilities	<u>1,954</u>	<u>85,450</u>	<u>87,404</u>
NET POSITION (DEFICIT)			
Unrestricted	<u>26,363</u>	<u>(65,171)</u>	<u>(38,808)</u>
Total net position (deficit)	<u>\$ 26,363</u>	<u>\$ (65,171)</u>	<u>\$ (38,808)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Storm Drain	Airport	Total
Operating revenues:			
Charges for services	\$ 186,825	\$ 18,197	\$ 205,022
Miscellaneous	6,692	-	6,692
	<u>193,517</u>	<u>18,197</u>	<u>211,714</u>
Total operating revenues			
Operating expenses:			
Personnel services	39,989	13,924	53,913
Materials, supplies and services	37,392	12,454	49,846
	<u>77,381</u>	<u>26,378</u>	<u>103,759</u>
Total operating expenses			
Operating income (loss)	<u>116,136</u>	<u>(8,181)</u>	<u>107,955</u>
Nonoperating revenues (expenses):			
Interest income	(61)	(141)	(202)
Taxes	-	9,038	9,038
Grants	-	10,000	10,000
Rents	1,686	-	1,686
Interest expense	(1,049)	-	(1,049)
	<u>576</u>	<u>18,897</u>	<u>19,473</u>
Total nonoperating revenues (expenses)			
Income (loss) before transfers	<u>116,712</u>	<u>10,716</u>	<u>127,428</u>
Other financing sources (uses):			
Transfers in	-	1,000	1,000
	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total other financing sources (uses)			
Change in net position	<u>116,712</u>	<u>11,716</u>	<u>128,428</u>
Net position (deficit), beginning of year	(39,578)	(70,125)	(109,703)
Prior period adjustment	<u>(50,771)</u>	<u>(6,762)</u>	<u>(57,533)</u>
Net assets, beginning of year, restated	<u>(90,349)</u>	<u>(76,887)</u>	<u>(167,236)</u>
Net position (deficit), end of year	<u>\$ 26,363</u>	<u>\$ (65,171)</u>	<u>\$ (38,808)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 237,149	\$ 4,638	\$ 241,787
Payments to suppliers	(86,334)	(22,259)	(108,593)
Payments to employees	<u>(39,989)</u>	<u>(13,924)</u>	<u>(53,913)</u>
Net cash provided by (used in) operating activities	<u>110,826</u>	<u>(31,545)</u>	<u>79,281</u>
Cash flows from noncapital financing activities:			
Grants received	-	10,000	10,000
Transfer from other funds	-	1,000	1,000
Loan from other funds	-	2,552	2,552
Loan repayment to other funds	(29,913)	-	(29,913)
Taxes received	<u>-</u>	<u>18,134</u>	<u>18,134</u>
Net cash provided by (used in) noncapital financing activities	<u>(29,913)</u>	<u>31,686</u>	<u>1,773</u>
Cash flows from capital and related financing activities:			
Principal paid	(70,500)	-	(70,500)
Interest paid	<u>(2,098)</u>	<u>-</u>	<u>(2,098)</u>
Net cash provided by (used in) capital and related financing activities	<u>(72,598)</u>	<u>-</u>	<u>(72,598)</u>
Cash flows from investing activities:			
Interest received	(61)	(141)	(202)
Rents received	<u>1,686</u>	<u>-</u>	<u>1,686</u>
Net cash provided by (used in) investing activities	<u>1,625</u>	<u>(141)</u>	<u>1,484</u>
Net increase (decrease) in cash and cash equivalents	9,940	-	9,940
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 9,940</u>	<u>\$ -</u>	<u>\$ 9,940</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 116,136	\$ (8,181)	\$ 107,955
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	43,632	(13,559)	30,073
Increase (decrease) in accounts payable	(48,942)	(709)	(49,651)
Increase (decrease) in compensated absences	<u>-</u>	<u>(9,096)</u>	<u>(9,096)</u>
Net cash provided by (used in) operating activities	<u>\$ 110,826</u>	<u>\$ (31,545)</u>	<u>\$ 79,281</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 11,847	\$ 11,847
Prepaid expenses	<u>-</u>	<u>-</u>	<u>61,673</u>	<u>61,673</u>
Total assets	<u>-</u>	<u>-</u>	<u>73,520</u>	<u>73,520</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,914	7,020	-	10,934
Accrued payroll	-	-	86,233	86,233
Due to other funds	14,106	12,939	-	27,045
Compensated absences	<u>-</u>	<u>-</u>	<u>162,625</u>	<u>162,625</u>
Total current liabilities	<u>18,020</u>	<u>19,959</u>	<u>248,858</u>	<u>286,837</u>
Noncurrent liabilities:				
Compensated absences	<u>-</u>	<u>-</u>	<u>117,020</u>	<u>117,020</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>117,020</u>	<u>117,020</u>
Total liabilities	<u>18,020</u>	<u>19,959</u>	<u>365,878</u>	<u>403,857</u>
NET POSITION (DEFICIT)				
Unrestricted (deficit)	<u>(18,020)</u>	<u>(19,959)</u>	<u>(292,358)</u>	<u>(330,337)</u>
Total net position (deficit)	<u>\$ (18,020)</u>	<u>\$ (19,959)</u>	<u>\$ (292,358)</u>	<u>\$ (330,337)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 180,121	\$ 335,461	\$ -	\$ 515,582
Total operating revenues	<u>180,121</u>	<u>335,461</u>	<u>-</u>	<u>515,582</u>
Operating expenses:				
Personnel services	128,499	217,276	55,794	401,569
Materials, supplies and services	57,993	122,294	-	180,287
Total operating expenses	<u>186,492</u>	<u>339,570</u>	<u>55,794</u>	<u>581,856</u>
Operating income (loss)	<u>(6,371)</u>	<u>(4,109)</u>	<u>(55,794)</u>	<u>(66,274)</u>
Nonoperating revenues (expenses):				
Interest income	<u>(92)</u>	<u>(130)</u>	<u>(235)</u>	<u>(457)</u>
Total nonoperating revenues (expenses)	<u>(92)</u>	<u>(130)</u>	<u>(235)</u>	<u>(457)</u>
Income (loss) before transfers	<u>(6,463)</u>	<u>(4,239)</u>	<u>(56,029)</u>	<u>(66,731)</u>
Other financing sources (uses):				
Transfers in	-	-	76,029	76,029
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>76,029</u>	<u>76,029</u>
Change in net position	<u>(6,463)</u>	<u>(4,239)</u>	<u>20,000</u>	<u>9,298</u>
Net position (deficit), beginning of year	(11,557)	(15,720)	(312,358)	(339,635)
Net position (deficit), end of year	<u>\$ (18,020)</u>	<u>\$ (19,959)</u>	<u>\$ (292,358)</u>	<u>\$ (330,337)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<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	\$ 180,121	\$ 335,461	\$ -	\$ 515,582
Payments to suppliers	(55,754)	(134,904)	(65,549)	(256,207)
Payments to employees	<u>(128,499)</u>	<u>(217,276)</u>	<u>(118,595)</u>	<u>(464,370)</u>
Net cash provided by (used in) operating activities	<u>(4,132)</u>	<u>(16,719)</u>	<u>(184,144)</u>	<u>(204,995)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	-	76,029	76,029
Loan from other funds	<u>4,224</u>	<u>12,939</u>	<u>-</u>	<u>17,163</u>
Net cash provided by (used in) noncapital financing activities	<u>4,224</u>	<u>12,939</u>	<u>76,029</u>	<u>93,192</u>
Cash flows from investing activities:				
Interest received	<u>(92)</u>	<u>(130)</u>	<u>(235)</u>	<u>(457)</u>
Net cash provided by (used in) investing activities	<u>(92)</u>	<u>(130)</u>	<u>(235)</u>	<u>(457)</u>
Net increase (decrease) in cash and cash equivalents	-	(3,910)	(108,350)	(112,260)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>3,910</u>	<u>120,197</u>	<u>124,107</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,847</u>	<u>\$ 11,847</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (6,371)	\$ (4,109)	\$ (55,794)	\$ (66,274)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in prepaid expenses	-	-	(61,673)	(61,673)
Increase (decrease) in accounts payable	2,239	(12,610)	(3,876)	(14,247)
Increase (decrease) in accrued payroll	-	-	(42,566)	(42,566)
Increase (decrease) in compensated absences	<u>-</u>	<u>-</u>	<u>(20,235)</u>	<u>(20,235)</u>
Net cash provided by (used in) operating activities	<u>\$ (4,132)</u>	<u>\$ (16,719)</u>	<u>\$ (184,144)</u>	<u>\$ (204,995)</u>

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2014**

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Greenhills Assessment District</u>				
ASSETS				
Cash and investments	\$ 636,880	\$ 1,782,967	\$ (1,839,956)	\$ 579,891
Accounts receivable	<u>16,189</u>	<u>9,855</u>	<u>(16,189)</u>	<u>9,855</u>
Total assets	<u>\$ 653,069</u>	<u>\$ 1,792,822</u>	<u>\$ (1,856,145)</u>	<u>\$ 589,746</u>
LIABILITIES				
Agency obligations	<u>\$ 653,069</u>	<u>\$ 1,792,822</u>	<u>\$ (1,856,145)</u>	<u>\$ 589,746</u>
<u>Pheasant Run Assessment District</u>				
ASSETS				
Cash and investments	\$ 1,055,364	\$ 1,795,493	\$ (2,530,764)	\$ 320,093
Accounts receivable	<u>46,463</u>	<u>11,063</u>	<u>(46,463)</u>	<u>11,063</u>
Total assets	<u>\$ 1,101,827</u>	<u>\$ 1,806,556</u>	<u>\$ (2,577,227)</u>	<u>\$ 331,156</u>
LIABILITIES				
Agency obligations	<u>\$ 1,101,827</u>	<u>\$ 1,806,556</u>	<u>\$ (2,577,227)</u>	<u>\$ 331,156</u>
<u>Developer Deposits</u>				
ASSETS				
Cash and investments	\$ 15,752	\$ 18,824	\$ (13,600)	\$ 20,976
Accounts receivable	<u>56</u>	<u>-</u>	<u>(56)</u>	<u>-</u>
Total assets	<u>\$ 15,808</u>	<u>\$ 18,824</u>	<u>\$ (13,656)</u>	<u>\$ 20,976</u>
LIABILITIES				
Agency obligations	<u>\$ 15,808</u>	<u>\$ 18,824</u>	<u>\$ (13,656)</u>	<u>\$ 20,976</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 1,707,996	\$ 3,597,284	\$ (4,384,320)	\$ 920,960
Accounts receivable	<u>62,708</u>	<u>20,918</u>	<u>(62,708)</u>	<u>20,918</u>
Total assets	<u>\$ 1,770,704</u>	<u>\$ 3,618,202</u>	<u>\$ (4,447,028)</u>	<u>\$ 941,878</u>
LIABILITIES				
Agency obligations	<u>\$ 1,770,704</u>	<u>\$ 3,618,202</u>	<u>\$ (4,447,028)</u>	<u>\$ 941,878</u>

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OTHER INDEPENDENT AUDITOR'S REPORT

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued an adverse opinion in our report dated March 30, 2015 because the City did not record capital assets for its governmental activities, business-type activities and enterprise funds.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be material a weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2014-001 to be a material weakness.

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

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provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 30, 2015

FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Adverse		
Internal control over financial reporting:			
Material weakness identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001

Condition: The City has not complied with the GAAP requirement to record capital assets in the enterprise funds, business-type activities, or for governmental activities.

Criteria: GAAP requires the reporting of capital assets in the enterprise funds, business-type activities, or for governmental activities. The annual cost of using such assets must be charged as an operating expense through depreciation charges.

Cause: The City does not have a system to record and maintain their capital assets for financial statement reporting purposes.

Effect: Capital assets and the related depreciation are not reported in the government-wide and enterprise funds financial statements.

Recommendation: We recommend the City make it a priority to create a system to record and maintain their capital assets for financial statement reporting purposes.

Management Response: The City Council has secured the services of a Consultant, American Appraisal, to assist with the preparation of the capital asset inventory and establish the required templates that will be used to ensure the on-going management of this information, to assure its accuracy and completeness. It is anticipated that this system will be fully in place by the end of fiscal year 2014-15.

**CITY OF CHOWCHILLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENT FINDINGS

Finding 2013-001

Condition: The City has not complied with the GAAP requirement to record capital assets in the enterprise funds, business-type activities, or for governmental activities.

Criteria: GAAP requires the reporting of capital assets in the enterprise funds, business-type activities, or for governmental activities. The annual cost of using such assets must be charged as an operating expense through depreciation charges.

Cause: The City does not have a system to record and maintain their capital assets for financial statement reporting purposes.

Effect: Capital assets and the related depreciation are not reported in the government-wide and enterprise funds financial statements.

Recommendation: We recommend the City make it a priority to create a system to record and maintain their capital assets for financial statement reporting purposes.

Management Response: The City Council has secured the services of a Consultant, American Appraisal, to assist with the preparation of the capital asset inventory and establish the required templates that will be used to ensure the on-going management of this information, to assure its accuracy and completeness. It is anticipated that this system will be fully in place by the end of fiscal year 2013-2014.

Status: Not implemented

**CITY OF CHOWCHILLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2013-002

Condition: The City did not properly record accounts payable during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balances of these accounts. City management agreed with our adjustments and posted the entries.

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause: Financial closing adjustments to record year-end payables were not identified and posted to the City accounting records.

Effect: As a result of this condition, accounts payable were initially materially misstated in the Measure T Fund. Specifically, the misstatements were as follows:

Accounts Payable - Understated by \$67,536
Loans Payable - Overstated by \$157,500

Recommendation: We recommend that the City create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

Management Response: The Finance Department has already implemented changes in procedure to ensure the proper and timely reconciliation and reporting of all significant account balances, including establishing monthly, quarterly and annual checklists.

Status: Implemented