

**CITY OF CHOWCHILLA  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**CITY OF CHOWCHILLA**  
**JUNE 30, 2019**

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**JUNE 30, 2019**

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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, 2019, 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 judgement, including the assessment of the risks of 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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chowchilla, California, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally in the United States of America require that the management's discussion and analysis on pages 3-9, budgetary comparison information on pages 64-66, schedule of the City's proportionate share of the net pension liability on page 68, and schedule of contributions on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of the City of Chowchilla, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the 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 Paige & Company*

Clovis, California  
April 21, 2020

**CITY OF CHOWCHILLA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

As management of the City of Chowchilla, we offer readers of the City of Chowchilla's financial statements this narrative overview and analysis of the financial activities of the City of Chowchilla for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

### **FINANCIAL HIGHLIGHTS**

The assets of the City of Chowchilla exceeded its liabilities as of June 30, 2019 by \$43,455,428. Of this amount, unrestricted deficit net position of \$14,044,857 may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2018, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$39,776,085 with unrestricted deficit net position totaling \$12,845,156.

Total net position increased by \$3,679,343 during the year ended June 30, 2019. Net position associated with governmental activities decreased by \$338,941 while net position associated with business-type activities increased by \$4,018,284. For the year ended June 30, 2018, total net position decreased by \$1,053,815 with net position associated with governmental activities increasing by \$603,294 and net position associated with business-type activities decreasing by \$1,657,109.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,066,762 an increase of \$1,073,260 compared with the prior year. Of this amount, \$2,323,372 is available for spending and \$11,743,390 is restricted or otherwise designated for specific future uses. For the year ended June 30, 2018, the City's governmental funds had combined ending fund balances of \$12,993,502, with \$3,064,178 being available for spending and \$9,929,324 restricted for specific future uses. The combined ending fund balances as of June 30, 2018 represented an increase of \$2,114,056 over the June 30, 2017 combined ending fund balances.

At the end of the current fiscal year, the fund balance for the general fund was \$4,916,964 or 64 percent of general fund operating expenditures for the year ended June 30, 2019. The general fund's fund balance increased by \$99,764 for the year ended June 30, 2019. At the end of the prior fiscal year, the fund balance of the general fund was \$4,817,200, or 76 percent of that year's general fund operating expenditures. The general fund's fund balance increased by \$985,936 during the prior year.

The City's total debt obligations (including post-retirement benefits) increased by \$9,430,086. This was mostly attributable to increases in governmental funds long-term obligations of \$9,326,997 which was mostly attributable to the issuance of the 2018 Pension Obligation Bonds of \$10,500,000. The proceeds were used to pay down PERS Unfunded Liability but are recognized as a deferred outflow in the current year. During the prior year, total debt obligations increased by \$6,043,087.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**CITY OF CHOWCHILLA  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The City maintains 37 individual governmental funds. Many funds are grouped together by purpose or type for financial reporting purposes. There are 15 governmental funds presented for financial statement purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balance for the general fund which is considered a major fund, two special revenue funds, one debt service fund and one capital projects fund which are presented separately for the purpose of consistency. Data from the other ten special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and all special revenue funds. Budgetary comparison statements have been provided for the general fund and the four major special revenue funds to demonstrate compliance with the 2018/2019 budget.

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

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

**CITY OF CHOWCHILLA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2019, the City's assets exceeded liabilities by \$43,455,428. The largest portion of the City's net position (59 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules represent a summary of the City's net position and activities for the year ended June 30, 2019, with a comparison to the total net position and activities for the year ended June 30, 2018:

**Statements of Net Position**  
**June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Totals	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
<b>Assets</b>						
Current and other assets	\$ 38,121,146	\$ 36,876,285	\$ 6,934,277	\$ 10,994,052	\$ 45,055,423	\$ 47,870,337
Capital assets	19,814,960	19,645,211	24,846,278	19,034,744	44,661,238	38,679,955
<b>Total assets</b>	<b>57,936,106</b>	<b>56,521,496</b>	<b>31,780,555</b>	<b>30,028,796</b>	<b>89,716,661</b>	<b>86,550,292</b>
<b>Deferred Outflows of Resources</b>	<b>10,393,675</b>	<b>2,738,400</b>	<b>2,266,097</b>	<b>412,475</b>	<b>12,659,772</b>	<b>3,150,875</b>
<b>Liabilities</b>						
Long-term liabilities	37,622,162	28,295,165	17,144,655	17,041,566	54,766,817	45,336,731
Other liabilities	3,251,217	3,196,418	622,469	1,158,603	3,873,686	4,355,021
<b>Total liabilities</b>	<b>40,873,379</b>	<b>31,491,583</b>	<b>17,767,124</b>	<b>18,200,169</b>	<b>58,640,503</b>	<b>49,691,752</b>
<b>Deferred Inflows of Resources</b>	<b>204,693</b>	<b>177,663</b>	<b>75,809</b>	<b>55,667</b>	<b>280,502</b>	<b>233,330</b>
<b>Net Position:</b>						
Net investment in capital assets	12,063,468	11,582,456	13,470,140	10,680,771	25,533,608	22,263,227
Restricted	31,874,798	30,276,731	91,879	81,283	31,966,677	30,358,014
Unrestricted (Deficit)	(16,686,557)	(14,268,537)	2,641,700	1,423,381	(14,044,857)	(12,845,156)
<b>Total net position</b>	<b>\$ 27,251,709</b>	<b>\$ 27,590,650</b>	<b>\$ 16,203,719</b>	<b>\$ 12,185,435</b>	<b>\$ 43,455,428</b>	<b>\$ 39,776,085</b>

**CITY OF CHOWCHILLA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**Statements of Activities**  
**For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Totals	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 974,819	\$ 1,125,266	\$ 5,418,711	\$ 5,278,853	\$ 6,393,530	\$ 6,404,119
Operating grants and contributions	2,096,826	2,470,191	5,000	15,005	2,101,826	2,485,196
Capital grants and contributions	247,600	446,631	1,786,555	783,325	2,034,155	1,229,956
General revenues:						
Property taxes	982,684	908,288	17,880	13,998	1,000,564	922,286
Sales taxes	2,075,911	1,468,114	-	-	2,075,911	1,468,114
Transient lodging taxes	300,003	348,302	-	-	300,003	348,302
Franchises fees	254,493	266,346	-	-	254,493	266,346
Documentary stamp	30,647	37,678	-	-	30,647	37,678
Motor vehicle in lieu - unrestricted	2,054,881	1,981,384	-	-	2,054,881	1,981,384
Investment earnings	664,653	539,368	98,302	61,194	762,955	600,562
Rental income	124,884	167,754	-	-	124,884	167,754
Legal settlement	514,667	511,702	-	-	514,667	511,702
Miscellaneous	205,436	280,637	166,122	177,050	371,558	457,687
Gain/loss on sale of capital assets	5,638	-	1,955	-	7,593	-
Total revenues	<u>10,533,142</u>	<u>10,551,661</u>	<u>7,494,525</u>	<u>6,329,425</u>	<u>18,027,667</u>	<u>16,881,086</u>
<b>Expenses:</b>						
General government	696,555	1,602,387	-	-	696,555	1,602,387
Public safety	4,625,886	3,913,266	-	-	4,625,886	3,913,266
Highways and streets	2,484,585	1,643,200	-	-	2,484,585	1,643,200
Culture and recreation	641,857	965,024	-	-	641,857	965,024
Community development	(375,193)	1,004,041	-	-	(375,193)	1,004,041
Interest and fiscal charges	1,018,120	820,449	-	-	1,018,120	820,449
Water	-	-	3,095,675	5,157,398	3,095,675	5,157,398
Solid waste	-	-	1,550,909	1,356,310	1,550,909	1,356,310
Sewer	-	-	1,756,056	1,275,274	1,756,056	1,275,274
Airport	-	-	399,909	115,927	399,909	115,927
Storm drain	-	-	42,420	81,625	42,420	81,625
Total expenses	<u>9,091,810</u>	<u>9,948,367</u>	<u>6,844,969</u>	<u>7,986,534</u>	<u>15,936,779</u>	<u>17,934,901</u>
Transfers	<u>(1,954,752)</u>	<u>-</u>	<u>1,954,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary item (see note 15)	<u>174,479</u>	<u>-</u>	<u>1,413,976</u>	<u>-</u>	<u>1,588,455</u>	<u>-</u>
Changes in net position	<u>(338,941)</u>	<u>603,294</u>	<u>4,018,284</u>	<u>(1,657,109)</u>	<u>3,679,343</u>	<u>(1,053,815)</u>
Net position at beginning of year	<u>27,590,650</u>	<u>26,987,356</u>	<u>12,185,435</u>	<u>13,842,544</u>	<u>39,776,085</u>	<u>40,829,900</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u><u>\$ 27,251,709</u></u>	<u><u>\$ 27,590,650</u></u>	<u><u>\$ 16,203,719</u></u>	<u><u>\$ 12,185,435</u></u>	<u><u>\$ 43,455,428</u></u>	<u><u>\$ 39,776,085</u></u>

**Governmental activities.** Governmental activities decreased the City's net position by \$338,941 (a decrease of \$942,235 compared to the prior year) accounting for the only decrease in net position. This was due primarily to an increase in pension expense due to paying down PERS Unfunded Liability.

**Business-type activities.** Business-type activities increased the City's net position by \$4,018,284 (an increase of \$5,675,393 compared to the prior year), accounting for all of the increase in the City's net position. This was due primarily to an increase in capital grants of \$1,003,230, a decrease in water expenses of \$2,061,723 and an increase in extraordinary items of \$1,413,976. The extraordinary item is related to the transfer of assets from the Successor Agency to the Water Fund mostly consisting of a well and land. The decrease in Water Fund expenses is due to water meter upgrades which were expensed and not capitalized in the prior year.

**CITY OF CHOWCHILLA  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$14,066,762, an increase of \$1,073,260 in comparison to the prior year. Of this amount, \$2,323,372 (17 percent) was unassigned, which is available for spending at the City's discretion. The remainder of the fund balance is assigned to indicate that it is not available for new spending because it has already been designated to liquidate contracts and purchase orders of the prior period or cover the next year budget deficit (\$855,353), restricted by external entities (\$9,439,846) or non-spendable because the assets that will not be converted to cash within the next twelve months (\$537,968). In addition, \$910,223 has been formally committed and is also not available for spending.

The general fund is the City's chief operating fund. At the end of the current fiscal year, the spendable portion of the fund balance of the general fund was \$2,613,420 while the total fund balance was \$4,916,964. As a measure of the general fund's liquidity, it may be useful to compare both the spendable portion of the fund balance and total fund balance to total fund expenditures. Spendable portion of the fund balance represents 42 percent of total general fund operating expenditures, while total fund balance represents 76 percent of the same amount.

The fund balance of the City's general fund increased by \$99,764 during the year ended June 30, 2019. Expenditures increased by 62% and revenue increased by 2% resulting in an excess of expenditures over revenue of \$6,683,351. There was \$7,321,441 transferred from other funds to the general fund and \$542,166 transferred from the general fund to other funds.

Major Special Revenue funds have a combined fund balance of \$4,239,099. All is restricted by external entities for various activities.

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

Unrestricted net position of the proprietary funds was \$2,675,726 as of June 30, 2019. The total increase in the net position of the proprietary funds was \$3,979,844 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final general fund final budgeted expenditures were greater than the original budgeted expenditures by \$7,639,959. Actual expenditures were \$1,955,470 less than final budgeted expenditures. Final anticipated revenue was \$7,439,554 greater than original anticipated revenue. Actual total revenue was \$1,316,336 less than the final anticipated revenue. These numbers represent original City budget information and is not necessarily reflective of the activity reported in the budgetary comparison schedules. Management believes this information is the most accurate and useful for the users of the financial statements.

The large increase from adopted to final budget, for both revenues and expenditures, is due to the issuance of Pension Obligation Bonds which were used to pay down our PERS Unfunded Liability.

**CITY OF CHOWCHILLA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The City's total capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$44,661,238 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, automobiles, equipment and street lights. In addition, all sidewalks, bridges and roads within the city limits belong to the City.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 721,926	\$ 547,447	\$ 2,030,152	\$ 1,947,728	\$ 2,752,078	\$ 2,495,175
Construction in progress	313,341	3,018,884	2,378,201	7,225,042	2,691,542	10,243,926
Land improvements	628,477	449,202	494,444	536,110	1,122,921	985,312
Building improvements	4,970,214	4,833,763	2,405,669	1,152,653	7,375,883	5,986,416
Machinery, equipment and vehicles	2,145,599	1,864,756	249,741	260,753	2,395,340	2,125,509
Infrastructure	11,035,403	8,931,159	17,288,071	7,912,458	28,323,474	16,843,617
Total	\$ 19,814,960	\$ 19,645,211	\$ 24,846,278	\$ 19,034,744	\$ 44,661,238	\$ 38,679,955

Major capital asset events during the year ended June 30, 2019 included the following:

- Various infrastructure improvements amounted to \$2,433,844.
- Vehicles, machinery and equipment acquisitions amounted to \$298,039.

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

**Long-term liabilities.** As of June 30, 2019, the City had \$54,766,817 in outstanding long-term debt consisting of seven revenue bond issues (\$19,486,334), two loans from the State of California (\$12,958,906), one certificates of participation (\$210,000), one Pension Obligation Bond (\$10,500,000), unfunded pension obligation (\$10,615,478), net unamortized bond premiums/discounts (\$607,387) and compensated absences (\$388,712). The revenue bonds are obligations of the water, sewer, general and streets and roads funds. Principal payments on the revenue bonds during the year reduced the amount owed by \$400,146. There was \$10,500,000 in new pension bonds issued by the General Fund during the year. The certificates of participation (COP's) are an obligation of the water funds. Principal payments on the COP's during the year reduced the amount owed by \$65,000. There was a \$160,300 principal decrease in the loans payable to the State of California for the completion of the city-wide water meter upgrade project which is an obligation of the water fund. The loan payable to Madera County was paid off in FY 2018/2019.

The City's total debt obligations (including post retirement benefits) increased by \$9,430,086. This was mostly attributable to the issuance of Pension Obligation Bonds (\$10,500,000). There was a decrease in the unfunded pension obligation of \$178,467. Compensated absences payable decreased by \$23,777 during the year.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds	\$ 19,387,668	\$ 8,356,480	\$ 11,445,000	\$ 11,530,000	\$ 30,832,668	\$ 19,886,480
Certificates of Participation	-	-	210,000	275,000	210,000	275,000
Loans	9,913,215	10,070,715	3,045,691	3,205,991	12,958,906	13,276,706
Total	\$ 29,300,883	\$ 18,427,195	\$ 14,700,691	\$ 15,010,991	\$ 44,001,574	\$ 33,438,186

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

**CITY OF CHOWCHILLA  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

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

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

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

Over the course of the past five years, the City's budget process, financial policies, and financial metrics have undergone a dramatic evolution to become far more transparent. This reflects the strategic priorities of the Council and demonstrate accountability to the tax and ratepayers. As one example of these efforts, in Fiscal Year 2016/2017 the City's budget document was amended further to meet Government Finance Officers' Association standards, including additional financial schedules and inclusion of Council-adopted long-term fiscal policies, such as the General Fund Reserve policy, the Fund Balance Policy, and Capital and Debt Issuance Policies. The City submitted the Fiscal Year 2019/2020 Budget for the GFOA Distinguished Budget Presentation Award and did receive the award for the first time ever.

The biggest economic factor in both the immediate and long-term range is the increase in pension costs through CalPERS. They have approved a reduction of the Discount Rate from 7.5% to 7.0% by FY 2019/2020. This results in a higher projected Unfunded Liability because they now expect to receive a lower rate of return. The City issued Pension Obligation Bonds to help offset the costs since they were issued at a much lower interest rate than what CalPERS is financing the current Unfunded Liability. We will continue to seek alternate methods of paying the ever-growing pension costs issue.

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

The City put Measure N on the November 2018 ballot. This measure is a 1% district sales tax add-on. It is a Public Safety Measure which requires a 2/3 voter approval. Measure N passed and the City began to collect the tax on April 1, 2019. The estimated increase in sales tax revenue was approximately \$1.3M in year 1. After reviewing current collections as well as projected collections, it appears that the amount will be closer to \$1.7M. The funds will be used to upgrade and purchase equipment as well as help with recruitment and retention of public safety employees. Retention of current employees due to increases in pension costs is allowed under this measure.

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## BASIC FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 12,487,891	\$ 5,201,523	\$ 17,689,414
Restricted cash and investments with fiscal agents	776,285	944,002	1,720,287
Accounts receivable, net	469,717	488,561	958,278
Intergovernmental receivables	1,706,269	233,733	1,940,002
Notes receivable, net	22,469,028	-	22,469,028
Prepaid expenses	51,297	3,000	54,297
Prepaid bond insurance	22,633	97,484	120,117
Land held for resale	104,000	-	104,000
Internal balances	34,026	(34,026)	-
Capital assets:			
Nondepreciable	1,035,267	4,408,353	5,443,620
Depreciable, net of accumulated depreciation	<u>18,779,693</u>	<u>20,437,925</u>	<u>39,217,618</u>
Total assets	<u>57,936,106</u>	<u>31,780,555</u>	<u>89,716,661</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	9,274,246	2,030,025	11,304,271
Deferred outflows of resources from pensions	<u>1,119,429</u>	<u>236,072</u>	<u>1,355,501</u>
Total deferred outflows of resources	<u>10,393,675</u>	<u>2,266,097</u>	<u>12,659,772</u>
<b>LIABILITIES</b>			
Accounts payable	574,663	406,922	981,585
Accrued payroll	240,916	-	240,916
Deposits	3,000	170,744	173,744
Accrued interest	2,432,638	44,803	2,477,441
Long-term liabilities:			
Net pension liability	8,744,775	1,870,703	10,615,478
Due within one year	464,846	325,300	790,146
Due in more than one year	<u>28,412,541</u>	<u>14,948,652</u>	<u>43,361,193</u>
Total liabilities	<u>40,873,379</u>	<u>17,767,124</u>	<u>58,640,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	<u>204,693</u>	<u>75,809</u>	<u>280,502</u>
Total deferred inflows of resources	<u>204,693</u>	<u>75,809</u>	<u>280,502</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,063,468	13,470,140	25,533,608
Restricted for:			
Highway and streets	4,074,467	-	4,074,467
Community development	23,497,022	-	23,497,022
Public safety	392,706	-	392,706
Construction projects	3,435,653	-	3,435,653
Debt service	474,950	91,879	566,829
Unrestricted	<u>(16,686,557)</u>	<u>2,641,700</u>	<u>(14,044,857)</u>
Total net position	<u>\$ 27,251,709</u>	<u>\$ 16,203,719</u>	<u>\$ 43,455,428</u>

**CITY OF CHOWCHILLA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>FUNCTIONS/PROGRAMS:</b>								
Governmental activities:								
General government	\$ 696,555	\$ 129,321	\$ 12,143	\$ -	\$ (555,091)	\$ -	\$ (555,091)	
Public safety	4,625,886	135,309	450,876	-	(4,039,701)	-	(4,039,701)	
Highways and streets	2,484,585	364,614	1,547,452	246,896	(325,623)	-	(325,623)	
Culture and recreation	641,857	27	53,339	-	(588,491)	-	(588,491)	
Community development	(375,193)	345,548	33,016	704	754,461	-	754,461	
Interest and fiscal charges	1,018,120	-	-	-	(1,018,120)	-	(1,018,120)	
Total governmental activities	<u>9,091,810</u>	<u>974,819</u>	<u>2,096,826</u>	<u>247,600</u>	<u>(5,772,565)</u>	<u>-</u>	<u>(5,772,565)</u>	
Business-type activities:								
Water	3,095,675	2,275,065	-	1,065,082	-	244,472	244,472	
Solid waste	1,550,909	1,400,971	5,000	-	-	(144,938)	(144,938)	
Sewer	1,756,056	1,506,734	-	380,155	-	130,833	130,833	
Airport	399,909	19,483	-	341,318	-	(39,108)	(39,108)	
Storm drain	42,420	216,458	-	-	-	174,038	174,038	
Total business-type activities	<u>6,844,969</u>	<u>5,418,711</u>	<u>5,000</u>	<u>1,786,555</u>	<u>-</u>	<u>365,297</u>	<u>365,297</u>	
Total	<u>\$ 15,936,779</u>	<u>\$ 6,393,530</u>	<u>\$ 2,101,826</u>	<u>\$ 2,034,155</u>	<u>\$ (5,772,565)</u>	<u>365,297</u>	<u>(5,407,268)</u>	
General revenues:								
Taxes:								
Property				982,684	17,880	1,000,564		
Sales			5,000	2,075,911	-	2,075,911		
Transient lodging			-	300,003	-	300,003		
Franchises			-	254,493	-	254,493		
Documentary stamp			-	30,647	-	30,647		
Motor vehicle in lieu - unrestricted			-	2,054,881	-	2,054,881		
Investment income			-	664,653	98,302	762,955		
Rental income			-	124,884	-	124,884		
Legal settlement			-	514,667	-	514,667		
Miscellaneous			-	205,436	166,122	371,558		
Gain on sale of capital assets			-	5,638	1,955	7,593		
Transfers			-	(1,954,752)	1,954,752	-	-	
Extraordinary item (see note 15)			-	174,479	1,413,976	1,588,455		
Total general revenues and transfers				<u>5,433,624</u>	<u>3,652,987</u>	<u>9,086,611</u>		
Change in net position				(338,941)	4,018,284	3,679,343		
Net position, beginning of year				<u>27,590,650</u>	<u>12,185,435</u>	<u>39,776,085</u>		
Net position, end of year				<u>\$ 27,251,709</u>	<u>\$ 16,203,719</u>	<u>\$ 43,455,428</u>		

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## FUND FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General	Special Revenue			Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		CDBG Grants	Impact Fees					
<b>ASSETS</b>								
Cash and investments	\$ 3,531,155	\$ 770,534	\$ 3,970,549	\$ -	\$ 776,285	\$ -	\$ 3,942,652	\$ 12,214,890
Restricted cash and investments with fiscal agents	-	-	-	-	-	-	-	776,285
Accounts receivable	425,365	40,331	-	-	-	-	4,021	469,717
Intergovernmental receivables	446,238	-	-	-	-	109,015	1,151,016	1,706,269
Notes receivable, net	-	20,837,539	-	-	-	-	1,631,489	22,469,028
Due from other funds	561,408	-	-	-	-	-	-	561,408
Prepaid expenses	3,072	-	-	-	-	-	-	3,072
Prepaid bond insurance	-	-	-	-	22,633	-	-	22,633
Land held for resale	-	-	-	-	-	-	104,000	104,000
Advances to other funds	534,896	-	-	-	-	-	-	534,896
<b>Total assets</b>	<b>\$ 5,502,134</b>	<b>\$ 21,648,404</b>	<b>\$ 3,970,549</b>	<b>\$ 798,918</b>	<b>\$ 109,015</b>	<b>\$ 6,833,178</b>	<b>\$ 38,862,198</b>	
<b>LIABILITIES</b>								
Accounts payable	\$ 407,068	\$ 7,419	\$ -	\$ -	\$ 26,276	\$ 41,608	\$ 482,371	
Deposits	3,000	-	-	-	-	-	-	3,000
Due to other funds	-	-	-	-	83,996	477,412	561,408	
Advances from other funds	-	-	534,896	-	-	-	-	534,896
<b>Total liabilities</b>	<b>410,068</b>	<b>7,419</b>	<b>534,896</b>	<b>-</b>	<b>110,272</b>	<b>519,020</b>	<b>1,581,675</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenues	175,102	20,837,539	-	-	-	-	2,201,120	23,213,761
<b>Total deferred inflows of resources</b>	<b>175,102</b>	<b>20,837,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,201,120</b>	<b>23,213,761</b>
<b>FUND BALANCES</b>								
Nonspendable:								
Prepaid expenses	3,072	-	-	-	-	-	-	3,072
Advances to other funds	534,896	-	-	-	-	-	-	534,896
Restricted for:								
Highway and streets	-	-	-	-	-	-	3,784,575	3,784,575
Community development	-	803,446	-	-	-	-	224,548	1,027,994
Public safety	-	-	-	-	-	-	392,706	392,706
Construction projects	-	-	3,435,653	323,968	-	-	-	3,759,621
Debt service	-	-	-	474,950	-	-	-	474,950
Committed to:								
Emergency contingency	910,223	-	-	-	-	-	-	910,223
Assigned to:								
General government	2,382	-	-	-	-	-	-	2,382
Public safety	15,711	-	-	-	-	-	-	15,711
Culture and recreation	51,951	-	-	-	-	-	-	51,951
Community development	90,772	-	-	-	-	-	-	90,772
Subsequent fiscal year budget deficit	694,537	-	-	-	-	-	-	694,537
Unassigned	2,613,420	-	-	-	(1,257)	(288,791)	-	2,323,372
<b>Total fund balances</b>	<b>4,916,964</b>	<b>803,446</b>	<b>3,435,653</b>	<b>798,918</b>	<b>(1,257)</b>	<b>4,113,038</b>	<b>14,066,762</b>	
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,502,134</b>	<b>\$ 21,648,404</b>	<b>\$ 3,970,549</b>	<b>\$ 798,918</b>	<b>\$ 109,015</b>	<b>\$ 6,833,178</b>	<b>\$ 38,862,198</b>	

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, 2019**

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

Total fund balances - governmental funds	\$ 14,066,762
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,747,678
Pension related deferrals are reported as deferred outflows of resources on the statement of net position:	
Contributions to the pension plan subsequent to the measurement date	8,994,212
Deferred outflows of resources	1,085,475
Deferred inflows of resources	(192,990)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds and loans payable	(28,488,675)
Net pension liability	(8,486,667)
Interest payable on long-term debt does not require the use of current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(2,432,638)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	23,213,761
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(255,209)</u>
Net position of governmental activities	<u>\$ 27,251,709</u>

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
	General	CDBG Grants				
<b>REVENUES</b>						
Taxes	\$ 3,250,659	\$ -	\$ -	\$ -	\$ -	\$ 3,250,659
Licenses and permits	335,769	-	-	-	1,504	337,273
Fines and penalties	-	933	-	-	-	933
Intergovernmental revenues	2,511,697	131,979	-	-	49,776	2,057,332
Use of money and property	233,140	10,436	60,389	7,870	-	30,306
Charges for services	98,481	37,603	46,340	-	-	339,255
Loan repayments	-	-	-	-	35,972	521,679
Legal settlement	514,667	-	-	-	-	514,667
Miscellaneous	141,699	-	7,725	54,068	-	1,944
Total revenues	<u>7,086,112</u>	<u>180,951</u>	<u>114,454</u>	<u>61,938</u>	<u>49,776</u>	<u>2,466,313</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,799,928	-	-	-	-	1,799,928
Public safety	9,218,459	-	-	-	-	9,218,459
Highways and streets	-	-	-	55,175	2,037,005	2,092,180
Culture and recreation	1,200,606	-	-	-	-	1,200,606
Community development	869,322	21,205	-	-	35,504	926,031
Capital outlay	681,148	-	-	106,254	27,099	814,501
Debt service:						
Principal	-	-	129,146	-	159,264	288,410
Interest	-	-	540,683	-	-	540,683
Bond issuance costs	-	-	244,375	-	-	244,375
Fiscal charges	-	-	7,184	-	-	7,184
Total expenditures	<u>13,769,463</u>	<u>21,205</u>	<u>-</u>	<u>921,388</u>	<u>161,429</u>	<u>2,258,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,683,351)</u>	<u>159,746</u>	<u>114,454</u>	<u>(859,450)</u>	<u>(111,653)</u>	<u>207,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	7,321,441	9,041	-	616,616	110,398	1,482,166
Transfers out	(542,166)	-	(23,237)	(10,475,585)	(10)	(700,372)
Proceeds from sales of capital assets	3,840	-	-	-	-	3,288
Proceeds from bonds issuance	-	-	-	10,500,000	-	10,500,000
Original bond issue discount	-	-	-	(59,347)	-	(59,347)
Total other financing sources (uses)	<u>6,783,115</u>	<u>9,041</u>	<u>(23,237)</u>	<u>581,684</u>	<u>110,388</u>	<u>785,082</u>
Net change in fund balances	99,764	168,787	91,217	(277,766)	(1,265)	992,523
Fund balances, beginning of year	4,817,200	634,659	3,344,436	1,076,684	8	3,120,515
Fund balances, end of year	<u>\$ 4,916,964</u>	<u>\$ 803,446</u>	<u>\$ 3,435,653</u>	<u>\$ 798,918</u>	<u>\$ (1,257)</u>	<u>\$ 4,113,038</u>
	<u>\$ 14,066,762</u>					

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, 2019**

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

Net change in fund balances - total governmental funds	\$ 1,073,260
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	887,195
Depreciation expense	(946,428)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.

174,479
---------

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.

Proceeds from long-term debt	(10,500,000)
Repayment of the principal of long-term debt	472,646
Capitalization of bond premium	59,347
Amortization on bond discounts and premiums	1,124

Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. This amount represents the change in accrued interest payable not reported in governmental funds.

(413,002)
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Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

7,836,606
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The distribution of housing loans and corresponding payments that were recognized in the governmental funds are not recognized in the statement of activities.

(94,919)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

662,429
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The changes in net position of certain activities of the internal service funds is reported within governmental activities.

<u>448,322</u>
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Change in net position of governmental activities	<u>\$ (338,941)</u>
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**CITY OF CHOWCHILLA**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Funds	
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 1,747,414	\$ 10,383	\$ 1,646,974	\$ 1,796,752	\$ 5,201,523	\$ 273,001	
Restricted cash and investments with fiscal agents	545,711	-	398,291	-	944,002	-	
Accounts receivable, net	197,757	117,981	149,757	23,066	488,561	-	
Intergovernmental receivables	-	-	172,580	61,153	233,733	-	
Prepaid expenses	-	-	3,000	-	3,000	48,225	
Prepaid bond insurance	70,907	-	26,577	-	97,484	-	
Total current assets	2,561,789	128,364	2,397,179	1,880,971	6,968,303	321,226	
Noncurrent assets:							
Capital assets:							
Nondepreciable	2,363,867	-	1,380,954	663,532	4,408,353	-	
Depreciable, net of accumulated depreciation	13,716,665	-	6,479,868	241,392	20,437,925	67,282	
Total noncurrent assets	16,080,532	-	7,860,822	904,924	24,846,278	67,282	
Total assets	18,642,321	128,364	10,258,001	2,785,895	31,814,581	388,508	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Contributions to pension plan in current fiscal year	1,143,936	-	802,888	83,201	2,030,025	280,034	
Deferred outflows of resources from pensions	132,626	-	93,531	9,915	236,072	33,954	
Total deferred outflows of resources	1,276,562	-	896,419	93,116	2,266,097	313,988	
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	231,750	97,271	26,340	51,561	406,922	92,292	
Accrued payroll	-	-	-	-	-	240,916	
Deposits	170,744	-	-	-	170,744	-	
Accrued interest	32,937	-	11,866	-	44,803	-	
Compensated absences	-	-	-	-	-	330,659	
Current portion of long-term debt	240,300	-	85,000	-	325,300	-	
Total current liabilities	675,731	97,271	123,206	51,561	947,769	663,867	
Noncurrent liabilities:							
Compensated absences	-	-	-	-	-	58,053	
Net pension liability	1,054,183	-	739,852	76,668	1,870,703	258,108	
Long-term debt	11,727,827	-	3,220,825	-	14,948,652	-	
Total noncurrent liabilities	12,782,010	-	3,960,677	76,668	16,819,355	316,161	
Total liabilities	13,457,741	97,271	4,083,883	128,229	17,767,124	980,028	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources from pensions	42,063	-	30,352	3,394	75,809	11,703	
Total deferred inflows of resources	42,063	-	30,352	3,394	75,809	11,703	
<b>NET POSITION (DEFICIT)</b>							
Net investment in capital assets	7,653,230	-	4,911,986	904,924	13,470,140	67,282	
Restricted:							
Debt service	50,577	-	41,302	-	91,879	-	
Unrestricted	(1,284,728)	31,093	2,086,897	1,842,464	2,675,726	(356,517)	
Total net position (deficit)	\$ 6,419,079	\$ 31,093	\$ 7,040,185	\$ 2,747,388	16,237,745	\$ (289,235)	
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					(34,026)		
Net position of business-type activities					\$ 16,203,719		

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

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total		
<b>Operating revenues:</b>							
Charges for services	\$ 2,275,065	\$ 1,400,971	\$ 1,506,734	\$ 235,941	\$ 5,418,711	\$ 616,735	
Miscellaneous	76,252	1,424	87,880	566	166,122	757	
<b>Total operating revenues</b>	<b>2,351,317</b>	<b>1,402,395</b>	<b>1,594,614</b>	<b>236,507</b>	<b>5,584,833</b>	<b>617,492</b>	
<b>Operating expenses:</b>							
Personnel services	796,157	1,767	554,652	43,817	1,396,393	68,505	
Materials, supplies and services	1,670,225	1,549,142	880,543	377,480	4,477,390	309,271	
Depreciation	306,188	-	179,929	21,032	507,149	1,270	
<b>Total operating expenses</b>	<b>2,772,570</b>	<b>1,550,909</b>	<b>1,615,124</b>	<b>442,329</b>	<b>6,380,932</b>	<b>379,046</b>	
<b>Operating income (loss)</b>	<b>(421,253)</b>	<b>(148,514)</b>	<b>(20,510)</b>	<b>(205,822)</b>	<b>(796,099)</b>	<b>238,446</b>	
<b>Nonoperating revenues (expenses):</b>							
Use of money and property	45,107	2,597	24,901	25,697	98,302	-	
Taxes	-	-	-	17,880	17,880	-	
Grants - capital	-	-	380,155	341,318	721,473	-	
Grants - operating	-	5,000	-	-	5,000	-	
Gain (loss) on sale of assets	1,955	-	-	-	1,955	1,360	
Contributions from other entities	1,065,082	-	-	-	1,065,082	-	
Interest expense	(355,079)	-	(147,398)	-	(502,477)	-	
<b>Total nonoperating revenues (expenses)</b>	<b>757,065</b>	<b>7,597</b>	<b>257,658</b>	<b>384,895</b>	<b>1,407,215</b>	<b>1,360</b>	
<b>Income (loss) before transfers and extraordinary item</b>	<b>335,812</b>	<b>(140,917)</b>	<b>237,148</b>	<b>179,073</b>	<b>611,116</b>	<b>239,806</b>	
Transfers in	1,078,830	-	739,719	136,203	1,954,752	246,956	
Extraordinary item (see note 15)	1,354,241	-	46,620	13,115	1,413,976	-	
<b>Change in net position</b>	<b>2,768,883</b>	<b>(140,917)</b>	<b>1,023,487</b>	<b>328,391</b>	<b>3,979,844</b>	<b>486,762</b>	
<b>Net position (deficit), beginning of year</b>	<b>3,650,196</b>	<b>172,010</b>	<b>6,016,698</b>	<b>2,418,997</b>		<b>(775,997)</b>	
<b>Net position (deficit), end of year</b>	<b>\$ 6,419,079</b>	<b>\$ 31,093</b>	<b>\$ 7,040,185</b>	<b>\$ 2,747,388</b>		<b>\$ (289,235)</b>	
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds						38,440	
Changes in net position of business-type activities						\$ 4,018,284	

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, 2019**

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total		
						Internal Service Funds	
<b>Cash flows from operating activities:</b>							
Receipts from customers and users	\$ 2,274,538	\$ 1,401,659	\$ 1,510,256	\$ 237,717	\$ 5,424,170	\$ 616,735	
Payments to suppliers	(1,760,075)	(1,617,085)	(877,119)	(331,481)	(4,585,760)	(233,966)	
Payments to or received from employees	(1,536,906)	-	(1,121,502)	(133,823)	(2,792,231)	(478,210)	
Other operating revenues	76,252	1,424	87,880	566	166,122	757	
Net cash provided by (used in) operating activities	<u>(946,191)</u>	<u>(214,002)</u>	<u>(400,485)</u>	<u>(227,021)</u>	<u>(1,787,699)</u>	<u>(94,684)</u>	
<b>Cash flows from noncapital financing activities:</b>							
Grants received	-	10,005	-	-	10,005	-	
Transfer from other funds	1,078,830	-	739,719	136,203	1,954,752	246,956	
Loans from other funds	-	-	-	(9,937)	(9,937)	-	
Taxes received	-	-	-	17,880	17,880	-	
Net cash provided by (used in) noncapital financing activities	<u>1,078,830</u>	<u>10,005</u>	<u>739,719</u>	<u>144,146</u>	<u>1,972,700</u>	<u>246,956</u>	
<b>Cash flows from capital and related financing activities:</b>							
Principal paid	(246,550)	-	(88,003)	-	(334,553)	-	
Interest paid	(351,022)	-	(142,564)	-	(493,586)	-	
Grants received	848,336	-	207,575	301,864	1,357,775	-	
Contributions from other entities	1,065,082	-	-	-	1,065,082	-	
Acquisition of capital assets	(5,103,810)	-	(166,703)	(43,257)	(5,313,770)	(55,773)	
Proceeds from the sale of assets	1,955	-	-	-	1,955	1,360	
Net cash provided by (used in) capital and related financing activities	<u>(3,786,009)</u>	<u>-</u>	<u>(189,695)</u>	<u>258,607</u>	<u>(3,717,097)</u>	<u>(54,413)</u>	
<b>Cash flows from investing activities:</b>							
Interest received	45,107	2,597	24,901	-	72,605	-	
Rents received	-	-	-	25,697	25,697	-	
Net cash provided by (used in) investing activities	<u>45,107</u>	<u>2,597</u>	<u>24,901</u>	<u>25,697</u>	<u>98,302</u>	<u>-</u>	
Net increase (decrease) in cash and cash equivalents	(3,608,263)	(201,400)	174,440	201,429	(3,433,794)	97,859	
Cash and cash equivalents, beginning of year	<u>5,901,388</u>	<u>211,783</u>	<u>1,870,825</u>	<u>1,595,323</u>	<u>9,579,319</u>	<u>175,142</u>	
Cash and cash equivalents, end of year	<u>\$ 2,293,125</u>	<u>\$ 10,383</u>	<u>\$ 2,045,265</u>	<u>\$ 1,796,752</u>	<u>\$ 6,145,525</u>	<u>\$ 273,001</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, 2019**  
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Solid Waste	Sewer	Other Enterprise Funds		Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>							
Operating income (loss)	\$ (421,253)	\$ (148,514)	\$ (20,510)	\$ (205,822)	\$ (796,099)	\$ 238,446	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	306,188		-	179,929	21,032	507,149	1,270
(Increase) decrease in:							
Accounts receivable	8,074	688	3,522	1,776	14,060	-	
Prepaid expenses	-	-	(3,000)	2,333	(667)	(3,500)	
Deferred outflows of resources from pensions	(1,065,039)	1,974	(728,746)	(61,811)	(1,853,622)	(172,890)	
Increase (decrease) in:							
Accounts payable and other liabilities	(89,850)	(67,943)	6,424	43,666	(107,703)	100,625	
Deposits	(8,601)	-	-	-	(8,601)	-	
Compensated absences	-	-	-	-	-	(23,777)	
Net pension liability	310,122	-	154,852	(27,332)	437,642	(228,553)	
Deferred inflows of resources from pension	14,168	(207)	7,044	(863)	20,142	(6,305)	
Net cash provided by (used in) operating activities	<u>\$ (946,191)</u>	<u>\$ (214,002)</u>	<u>\$ (400,485)</u>	<u>\$ (227,021)</u>	<u>\$ (1,787,699)</u>	<u>\$ (94,684)</u>	
<b>Schedule of Non-Cash Capital and Related Financing Activities:</b>							
Transfer of capital assets (extraordinary item)	<u>\$ 1,354,241</u>	<u>\$ -</u>	<u>\$ 46,620</u>	<u>\$ 13,115</u>	<u>\$ 1,413,976</u>	<u>\$ -</u>	

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

**CITY OF CHOWCHILLA**

**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	Agency Funds	Successor Agency Trust Funds
<b>ASSETS</b>		
Cash and investments (in City investment pool)	\$ 1,921,842	\$ 136,735
Restricted cash with fiscal agents	798,867	-
Accounts receivable (net)	70,197	43,750
Prepaid expenses	-	16,670
Prepaid bond insurance	-	50,345
Land held for resale	-	338,000
 Total assets	 <u>\$ 2,790,906</u>	 <u>\$ 585,500</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 13
Accrued interest	-	70,509
Long-term debt due within one year	-	240,000
Long-term debt due in more than one year	-	5,668,132
Agency obligations	<u>2,790,906</u>	-
 Total liabilities	 <u>\$ 2,790,906</u>	 <u>5,978,654</u>
<b>NET POSITION</b>		
Held in trust for Successor Agency activities		<u>\$ (5,393,154)</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, 2019**

	Successor Agency Trust Fund
<b>ADDITIONS</b>	
Taxes	\$ 624,847
Use of money and property	<u>4,409</u>
Total additions	<u>629,256</u>
<b>DEDUCTIONS</b>	
Administrative expenses	254,333
Interest	<u>161,002</u>
Total deductions	<u>415,335</u>
<b>EXTRAORDINARY GAIN (LOSS)</b>	
Loss on disposition of assets	<u>(1,588,455)</u>
Change in net position	(1,374,534)
Net position (deficit), beginning of year	<u>(4,018,620)</u>
Net position (deficit), ending of year	<u>\$ (5,393,154)</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, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Reporting Entity**

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

##### **Blended Component Units**

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

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

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

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **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's 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 expenses 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 eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, interfund advances to/advances from, and transfers in/transfers out.

*Fund Financial Statements* – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

##### **Basis of Presentation** (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the government reports the following fund types:

##### *Internal Service Funds:*

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

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

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

##### **Basis of Presentation** (Continued)

###### *Fiduciary Funds:*

The **Agency Fund** accounts for assets held by the City as 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 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 fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants and subsidies, result from nonexchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

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

###### **Cash and Cash Equivalents**

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

###### **Cash and Investments**

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

##### **Cash and Investments** (Continued)

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

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

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

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

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

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

##### **Restricted Assets**

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

##### **Land Held for resale**

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

##### **Internal Balances**

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

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

## **CITY OF CHOWCHILLA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

##### **Notes Receivable**

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

##### **Capital Assets**

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

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

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

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

##### **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 Internal Service Funds in the Statement of Net Position.

## **CITY OF CHOWCHILLA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

##### **Long-term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **Pensions**

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

##### **Interest Payable**

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

##### **Unearned Revenue**

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

##### **Unavailable Revenue**

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

##### **Transfers**

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

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled cost 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 fund that is reimbursed.

##### **Net Position**

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

**Net investment in capital assets** – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the net position balance.

**Restricted** – represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – represents net position of the City, not restricted for any project or other purpose.

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

##### **Fund Balances**

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

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

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

##### **Fund Balances** (Continued)

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

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

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

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

##### **Minimum Fund Balance Policy**

The City's minimum fund balance policy requires the City to maintain reserves equal to 2 months (17%) and 3 months (25%) of costs based on the annual adopted budget for Enterprise Funds and the General Fund, respectively. The use of these funds shall be allowed in situations resulting from the loss of revenues and must be replenished before the end of the following fiscal year.

##### **Risk Management**

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

##### **Use of Estimates**

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**Property Tax Calendar**

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

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

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 17,689,414
Restricted cash and investments with fiscal agents	1,720,287
Statement of Fiduciary Net Position:	
Cash and investments	2,058,577
Restricted cash and investments	<u>798,867</u>
Total cash and investments	<u>\$ 22,267,145</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 2,000
Deposits with financial institutions	3,643,537
Investments	<u>18,621,608</u>
Total cash and investments	<u>\$ 22,267,145</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 2 – CASH AND INVESTMENTS** (Continued)

##### **Deposits**

The carrying amount of the City's cash deposits was \$3,643,537 at June 30, 2019. Bank balances were \$4,044,649, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as described 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 of fiscal agents is credited directly to the related fund.

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

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

##### **Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Total	12 Months or Less
State investment pool	\$ 16,102,443	\$ 16,102,443
Held by fiscal agent:		
Treasury Obligation Funds	1,245,909	1,245,909
Money Market Funds	1,273,256	1,273,256
Total	<u>\$ 18,621,608</u>	<u>\$ 18,621,608</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**Disclosure Relating to Credit Risk**

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

Investment Type	Ratings as of Year-End		
	Total	AAAm	Not Rated
State investment pool	\$ 16,102,443	\$ -	\$ 16,102,443
Held by fiscal agent:			
Treasury Obligation Funds	1,245,909	1,245,909	-
Money Market Funds	1,273,256	-	1,273,256
Total	<u>\$ 18,621,608</u>	<u>\$ 1,245,909</u>	<u>\$ 17,375,699</u>

**Concentration of Credit Risk**

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments are as follows:

Issuer	Reported Amount
US Bank Money Market	\$ 1,273,256

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 2 – CASH AND INVESTMENTS** (Continued)

##### **Investment Valuation**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2019:

Investments	Fair Value		Fair Value Measurements Level 1 Inputs
Debt securities:			
Treasury Obligation Fund	\$ 1,245,909		\$ 1,245,909
		1,245,909	
			\$ 1,245,909
Money Market Funds		1,273,256	
State Investment Pool		16,102,443	
			\$ 18,621,608

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

##### **Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the amortized cost 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 \$16,102,443. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members 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, 2019**

**NOTE 3 – RECEIVABLES**

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

	Governmental Activities							
	CDBG		Capital Projects	Other Governmental Funds	Total Governmental Funds			
	General	Grants Special Revenue			General	Grants Special Revenue		
<b>Receivables:</b>								
Accounts receivable	\$ 425,365	\$ 40,331	\$ -	\$ 4,021	\$ 469,717			
Intergovernmental receivables	446,238	-	109,015	1,151,016	1,706,269			
Notes receivable, net	-	20,837,539	-	1,631,489	22,469,028			
Less: allowance for for uncollectibles	-	-	-	-	-			
<b>Net receivables</b>	<b><u>\$ 871,603</u></b>	<b><u>\$ 20,877,870</u></b>	<b><u>\$ 109,015</u></b>	<b><u>\$ 2,786,526</u></b>	<b><u>\$ 24,645,014</u></b>			

	Business-Type Activities - Enterprise Funds							
	Nonmajor							
	Water	Solid Waste	Sewer	Storm Drain	Airport	Total		
<b>Receivables:</b>								
Accounts receivable	\$ 219,432	\$ 123,831	\$ 155,257	\$ 24,066	\$ -	\$ 522,586		
Intergovernmental receivables	-	-	172,580	-	61,153	233,733		
Less: allowance for for uncollectibles	<u>(21,675)</u>	<u>(5,850)</u>	<u>(5,500)</u>	<u>(1,000)</u>	<u>-</u>	<u>(34,025)</u>		
<b>Net receivables</b>	<b><u>\$ 197,757</u></b>	<b><u>\$ 117,981</u></b>	<b><u>\$ 322,337</u></b>	<b><u>\$ 23,066</u></b>	<b><u>\$ 61,153</u></b>	<b><u>\$ 722,294</u></b>		

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

	Governmental Activities	Business-Type Activities	Total
	General	Grants Special Revenue	General
Accounts receivable, net	\$ 469,717	\$ 488,561	\$ 958,278
Intergovernmental receivables	1,706,269	233,733	1,940,002
Notes receivable, net	<u>22,469,028</u>	<u>-</u>	<u>22,469,028</u>
	<b><u>\$ 24,645,014</u></b>	<b><u>\$ 722,294</u></b>	<b><u>\$ 25,367,308</u></b>

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

Notes receivable in CDBG Grants Special Revenue Fund	\$ 20,837,539
Notes receivable in Home Investment Program Grants Special Revenue Fund	1,499,172
Notes receivable in EDBG Grants Special Revenue Fund	54,883
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>77,434</u>
<b>Total</b>	<b><u>\$ 22,469,028</u></b>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 – INTERNAL BALANCES**

Due to and due from balances at June 30, 2019 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 561,408	\$ -
Capital Projects Fund	-	83,996
Nonmajor Funds:		
RSTP Special Revenue Fund	-	13,460
Transit System Special Revenue Fund	-	418,393
Low and Moderate Low Income Housing Asset Fund	- <hr/>	45,559
Total	<u>\$ 561,408</u>	<u>\$ 561,408</u>

The “due from” balance of \$561,408 in the General Fund listed above represents loans made to other funds to cover operating cash deficit.

Advances to and due from balances at June 30, 2019 are as follows:

	<u>Advances To</u>	<u>Advances From</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 534,896	\$ -
Impact Fees Special Revenue Fund	- <hr/>	534,896
Total	<u>\$ 534,896</u>	<u>\$ 534,896</u>

The balance of \$534,896 for advances from other funds in the Impact Fees Special Revenue Fund consists of cash advances from the General Fund and will be paid back with future impact fees. The City has indicated that there are no plans to collect on the advance within the next year.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 – TRANSFERS**

Transfers for the year ended June 30, 2019 are summarized as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
<b>Governmental Funds:</b>			
Major Funds:			
General Fund	\$ 7,321,441	(6) a.	\$ 542,166
CDBG Grants Special Revenue Fund	9,041	(5)	-
Impact Fees Special Revenue Fund	-		23,237
Debt Service Fund	616,616	(1),(3)	10,475,585
Capital Projects Fund	110,398	(1),(3)	10
Nonmajor Funds:			
State Gas Tax Special Revenue Fund	-		142,957
SB1 Special Revenue Fund	-		73,275
RSTP Special Revenue Fund	-		10,134
Street and Road Fund (LTF) Special Revenue Fund	982,043	(3),(6) f.	149,992
Measure T Special Revenue Fund	-		312,208
Transit System Special Revenue Fund	497,358	(6) g.	-
HOME Investment Partnership Program Special Revenue Fund	2,765	(5)	-
EDBG Grant Special Revenue Fund	-		11,806
<b>Enterprise Funds:</b>			
Major Funds:			
Water Enterprise Fund	1,078,830	(2), (6) e.	-
Sewer Enterprise Fund	739,719	(6) d.	-
Nonmajor Funds:			
Storm Drain Enterprise Fund	57,432	(6) c.	-
Airport Enterprise Fund	78,771	(6) b.	-
<b>Internal Service Funds</b>	<u>246,956</u>		<u>-</u>
<b>Total</b>	<u>\$ 11,741,370</u>		<u>\$ 11,741,370</u>

- (1) The General Fund transferred \$61,542 to the Airport for the Airport Reconstruction Project. \$14,000 was transferred to the Capital Project Fund for the Road 16 & 5th Street project. \$357,985 and \$108,639 was transferred to the Debt Service Fund for the debt service payments of the Civic Center and General CREB Bond payments, respectively.
- (2) Impact fees transferred \$23,237 to cover costs incurred by the Water fund for a rate study.
- (3) The Gas Tax Fund transferred \$138,413 to the Street and Roads (LTF) Fund for street maintenance and operational costs and \$4,544 was transferred to cover project specific costs associated with street and road improvements. The RSTP Fund transferred \$2,639 and \$7,496 to the Street and Roads (LTF) Fund for the Avenue 24 ½ Shoulder project and Road 16 & 5<sup>th</sup> Street Curve project. The SB1 Fund transferred \$39,128 for the Fuller Street Project and \$34,147 for Road 16 & 5<sup>th</sup> Street project. Streets and Roads (LTF) transferred \$149,992 to the Debt Service Funds for the PFA Streets debt service payment. The Measure T Fund transferred \$303,763 to the Street and Roads (LTF) Fund for street maintenance and operational costs, and \$8,445 to the Capital Projects Fund for the Wilson School Project.

## CITY OF CHOWCHILLA

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019

#### **NOTE 5 – TRANSFERS** (Continued)

- (4) Transferred \$10 to close Robertson & 11<sup>th</sup> street project
- (5) EDBG Grant Fund transferred \$9,041 and \$2,765 to the Community Development Block Grant Fund and HOME Investment Partnership Program Fund to cover costs associated with grant maintenance service, respectively.
- (6) Debt Service Fund transferred \$287,963 to cover expenditures for the JCI project to the General Fund. \$10,187,622 was also transferred from the Debt Service Fund to cover pension obligation costs in various governmental and proprietary funds including:
  - a. \$7,033,478 to the General Fund
  - b. \$17,229 to the Airport Fund
  - c. \$57,432 to the Storm Drain Fund
  - d. \$739,719 to the Sewer Fund
  - e. \$1,055,593 to the Water Fund
  - f. \$539,857 to the Streets and Road Fund
  - g. \$497,358 to the Transit Fund
  - h. \$246,956 to the Internal Services Funds

#### **NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended June 30, 2019, was as follows:

##### **Governmental Activities:**

	Balance				Balance
	July 1, 2018	Additions	Reductions	Transfers	June 30, 2019
<b>Capital assets, not being depreciated:</b>					
Land	\$ 547,447	\$ -	\$ -	\$ 174,479	\$ 721,926
Construction in progress	3,018,884	677,765	(3,383,308)	-	313,341
<b>Total capital assets, not being depreciated</b>	<b>3,566,331</b>	<b>677,765</b>	<b>(3,383,308)</b>	<b>174,479</b>	<b>1,035,267</b>
<b>Capital assets, being depreciated:</b>					
Land improvements	1,355,230	214,738	-	-	1,569,968
Buildings and improvements	7,345,583	313,564	-	-	7,659,147
Machinery, equipment and vehicles	3,914,643	568,630	(84,542)	-	4,398,731
Infrastructure	16,505,196	2,551,579	-	-	19,056,775
<b>Total capital assets, being depreciated</b>	<b>29,120,652</b>	<b>3,648,511</b>	<b>(84,542)</b>	<b>-</b>	<b>32,684,621</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	(906,028)	(35,463)	-	-	(941,491)
Buildings and improvements	(2,511,820)	(177,113)	-	-	(2,688,933)
Machinery, equipment and vehicles	(2,049,887)	(287,787)	84,542	-	(2,253,132)
Infrastructure	(7,574,037)	(447,335)	-	-	(8,021,372)
<b>Total accumulated depreciation</b>	<b>(13,041,772)</b>	<b>(947,698)</b>	<b>84,542</b>	<b>-</b>	<b>(13,904,928)</b>
<b>Total capital assets being depreciated, net</b>	<b>16,078,880</b>	<b>2,700,813</b>	<b>-</b>	<b>-</b>	<b>18,779,693</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 19,645,211</b>	<b>\$ 3,378,578</b>	<b>\$ (3,383,308)</b>	<b>\$ 174,479</b>	<b>\$ 19,814,960</b>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 – CAPITAL ASSETS** (Continued)

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

*Governmental Activities:*

General government	\$ 133,511
Public safety	227,731
Highways and streets	515,410
Culture and recreation	69,776
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	1,270
Total depreciation expense - governmental activities	<u>\$ 947,698</u>

Capital assets activity of the business-type activities ended June 30, 2019 was as follows:

**Business-Type Activities**

	Balance				Balance
	July 1, 2018	Additions	Reductions	Transfers	June 30, 2019
<b>Capital assets, not being depreciated:</b>					
Land	\$ 1,947,728	\$ -	\$ -	\$ 82,424	\$ 2,030,152
Construction in progress	7,225,042	4,867,679	(9,714,520)	-	2,378,201
<b>Total capital assets, not being depreciated</b>	<b>9,172,770</b>	<b>4,867,679</b>	<b>(9,714,520)</b>	<b>82,424</b>	<b>4,408,353</b>
<b>Capital assets, being depreciated:</b>					
Land improvements	1,253,762	-	-	-	1,253,762
Buildings and improvements	2,533,100	-	-	1,450,103	3,983,203
Machinery, equipment, and vehicles	654,703	37,028	(17,711)	-	674,020
Infrastructure	14,550,530	9,714,520	-	-	24,265,050
<b>Total capital assets, being depreciated</b>	<b>18,992,095</b>	<b>9,751,548</b>	<b>(17,711)</b>	<b>1,450,103</b>	<b>30,176,035</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	(717,653)	(41,665)	-	-	(759,318)
Buildings and improvements	(1,380,447)	(78,536)	-	(118,551)	(1,577,534)
Machinery, equipment, and vehicles	(393,949)	(48,041)	17,711	-	(424,279)
Infrastructure	(6,638,072)	(338,907)	-	-	(6,976,979)
<b>Total accumulated depreciation</b>	<b>(9,130,121)</b>	<b>(507,149)</b>	<b>17,711</b>	<b>(118,551)</b>	<b>(9,738,110)</b>
<b>Total capital assets being depreciated, net</b>	<b>9,861,974</b>	<b>9,244,399</b>	<b>-</b>	<b>1,331,552</b>	<b>20,437,925</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 19,034,744</b>	<b>\$ 14,112,078</b>	<b>\$ (9,714,520)</b>	<b>\$ 1,413,976</b>	<b>\$ 24,846,278</b>

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

*Business-Type Activities:*

Water	\$ 306,188
Sewer	179,929
Storm drain	6,349
Airport	14,683
<b>Total depreciation expense - business-type activities</b>	<b>\$ 507,149</b>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2019:

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<i>Direct Placements</i>					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 407,480	\$ -	\$ (129,146)	\$ 278,334	\$ 134,187
2016 Civic Center Bond	<u>754,000</u>	<u>-</u>	<u>(186,000)</u>	<u>568,000</u>	<u>-</u>
<i>Total Direct Placements</i>	<u>1,161,480</u>	<u>-</u>	<u>(315,146)</u>	<u>846,334</u>	<u>134,187</u>
2005 Civic Center Bond	3,565,000	-	-	3,565,000	-
Measure T Interprogram Loan	157,500	-	(157,500)	-	-
2017 Series Lease Revenue Bonds	3,630,000	-	-	3,630,000	-
State of California NSP Loan	9,913,215	-	-	9,913,215	-
2019 Taxable Pension Obligation Bonds	-	10,500,000	-	10,500,000	-
Add: Premiums	167,725	-	(5,990)	161,735	-
Less: Discounts	(73,128)	-	(54,481)	(127,609)	-
Compensated absences	412,489	290,997	(314,774)	388,712	330,659
<b>Total Governmental Activities Long-Term Debt</b>	<b><u>\$ 18,934,281</u></b>	<b><u>\$ 10,790,997</u></b>	<b><u>\$ (847,891)</u></b>	<b><u>\$ 28,877,387</u></b>	<b><u>\$ 464,846</u></b>
<b>Business-Type Activities:</b>					
<i>Direct Placements and Direct Borrowings</i>					
2001 USDA Sewer Bond	\$ 60,000	\$ -	\$ (20,000)	\$ 40,000	\$ 20,000
2001 Water Certificates of Participation	275,000	-	(65,000)	210,000	70,000
State Water Revolving Loan	<u>3,205,991</u>	<u>-</u>	<u>(160,300)</u>	<u>3,045,691</u>	<u>160,300</u>
<i>Total Direct Placements and Borrowings</i>	<u>3,540,991</u>	<u>-</u>	<u>(245,300)</u>	<u>3,295,691</u>	<u>250,300</u>
2017 Series Water Bonds	8,160,000	-	-	8,160,000	10,000
2017 Series Wastewater Bonds	3,310,000	-	(65,000)	3,245,000	65,000
Add: Premiums	597,514	-	(24,253)	573,261	-
<b>Total Business-Type Activities Long-Term Debt</b>	<b><u>\$ 15,608,505</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (334,553)</u></b>	<b><u>\$ 15,273,952</u></b>	<b><u>\$ 325,300</u></b>

Long-term debt payable at June 30, 2019 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 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, 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. In the event the City fails to make prompt payment the Trustee may declare the entire unpaid balance immediately due.

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

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 134,187	\$ 12,992
2021	<u>144,147</u>	<u>4,433</u>
<b>Total</b>	<b><u>\$ 278,334</u></b>	<b><u>\$ 17,425</u></b>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

Long-term debt payable at June 30, 2019 is comprised of the following individual issues:

#### **2005 Civic Center Bond**

In 2005, the City issued Revenue Bonds in the aggregate principal amount of \$5,890,000 to refund the 2002 \$1,900,000 Civic Center Project Private Placement Financing and to finance certain public improvements. The original amount of the note (\$5,890,000) was secured by revenues of the Public Financing Authority consisting primarily of lease payments to be received by the Authority from the City under a lease agreement dated July 1, 2005, by and between the Authority and the City which are payable from the City's general fund for lease by city of certain real property and public facilities located in the City and then constituting the Civic Center Project. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of Bonds at that time outstanding, declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately. Semiannual payments range from \$7,875 to \$357,875 and are payable each January 1 and July 1 through 2035. During the year ended June 30, 2017 the 2005 Civic Center Bond was partially refunded by the 2016 Civic Center Bond for the purposes of savings on future debt service payments.

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

Fiscal Year Ending June 30	Principal	Interest
2020	\$ -	\$ 158,331
2021	-	158,331
2022	-	158,331
2023	-	158,331
2024	210,000	153,738
2025-2029	1,195,000	619,391
2030-2034	1,475,000	325,744
2035-2038	685,000	31,163
Total	<u>\$ 3,565,000</u>	<u>\$ 1,763,360</u>

#### **2016 Refunding of 2005 Civic Center Bond**

In 2016, the City issued Revenue Bonds in the aggregate principal amount of \$1,120,000 to partially refund the 2005 Civic Center Bond. This was done to take advantage of lower interest rates and to save on future debt service payments. As a result, the 2005 Civic Center Bond is considered partially defeased and the liability for that bond is included in the statement of net position. The total debt service payments were reduced by \$49,165. Semiannual payments range from \$1,978 to \$194,978 and are payable each January 1 and July 1 through 2022. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants the Trustee may declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately.

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

Fiscal Year Ending June 30	Principal	Interest
2020	\$ -	\$ 13,551
2021	187,000	9,727
2022	188,000	5,884
2023	193,000	1,978
Total	<u>\$ 568,000</u>	<u>\$ 31,140</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

#### **2017 Series Lease Revenue Bonds**

In 2018, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$3,630,000 to finance the costs of clean renewable energy projects and other capital improvements. The original amount of the bonds (\$3,630,000) were secured by a pledge and of and lien on revenues consisting primarily of lease payments from the City. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of Bonds at that time outstanding, declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately. Principal is payable annually on June 1 in amounts ranging from \$10,000 to \$375,000, with interest due semi-annually at variable rates between 2.6% - 5.0% and matures on June 1, 2047.

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

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ -	\$ 158,254
2021	15,000	158,222
2022	20,000	157,826
2023	20,000	157,268
2024	25,000	156,724
2025-2029	135,000	772,543
2030-2034	355,000	733,086
2035-2039	730,000	639,680
2040-2044	1,375,000	42,399
2045-2047	<u>955,000</u>	<u>80,985</u>
Total	<u>\$ 3,630,000</u>	<u>\$ 3,056,987</u>

#### **2019 Pension Obligation Bonds**

In 2019, the Chowchilla Public Financing Authority issued Pension Obligation Bonds in the aggregate principal amount of \$10,500,000 to finance a portion of the City's unfunded accrued actuarial liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the City's employees, and pay the costs of issuance of the bonds. The bonds are unsecured obligations payable from any source of legally available funds of the City, including but not limited to amounts held by the City on deposit in its General Fund. Principal is payable annually on July 15 in amounts ranging from \$10,000 to \$640,000, with interest due semi-annually at variable rates between 2.94% - 4.75% and matures on July 15, 2046. There is a provision whereby if the City is unable to make payment, does not comply with bond covenants, or files for reorganization or arrangement the trustee may declare the entire unpaid principal and interest immediately due and payable.

Annual debt service requirements to maturity of the 2019 Pension Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ -	\$ 337,047
2021	345,000	407,639
2022	425,000	396,108
2023	495,000	381,901
2024	530,000	365,675
2025-2029	2,720,000	1,546,303
2030-2034	3,000,000	1,004,935
2035-2039	1,910,000	427,675
2040-2044	950,000	134,900
2045-2047	<u>125,000</u>	<u>5,344</u>
Total	<u>\$ 10,500,000</u>	<u>\$ 5,007,527</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

#### **State of California Neighborhood Stabilization Program (NSP) Loan**

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development (DHCD). The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of all AMI households in the City. The entire outstanding principal balance plus all accrued but unpaid interest is due in full on the 55<sup>th</sup> anniversary of the date of the Project's receipt of certificates of occupancy. There is no interest due on the loan; however, any program income resulting from the financing provided to Olivero Ranch will be returned to the DHCD. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2019 was \$9,913,215. All loan payments will be generated by the operation of the housing development by the private developer which will pass through the City and back to the State.

#### **2001 USDA Sewer Bond**

The City entered into a loan agreement in 2001 for \$268,325, with the United States Department of Agriculture-Rural Development (USDA-RD) for the purpose of construction 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. There is a provision whereby if the City is unable to make payment, does not comply with covenants, or files for reorganization or rearrangement the trustee may declare the entire unpaid principal and interest immediately due and payable.

Annual debts service requirements to maturity of the 2001 USDA Sever Bond are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 20,000	\$ 1,313
2021	<u>20,000</u>	<u>436</u>
Total	<u>\$ 40,000</u>	<u>\$ 1,749</u>

#### **2001 Water Certificate of Participation**

Certificates of Participation (2000 Water System Improvement Project) in the amount of \$1,114,558 were issued on August 30, 2001, for the purpose of financing the acquisition and construction of certain modifications, improvements and additions to the City's water treatment storage and distribution facilities systems. Loan proceeds are utilized for the construction period only and are repaid with a United States Department of Agriculture Rural Development (USDA-RD) Bond Anticipation Note when the project is complete. The amount of the note is secured by the pledge of user fees collected by the Water Enterprise Fund. Principal is payable annually on August 1 in amounts from \$50,000 to \$70,000, with interest due semi-annually at 4.375% and matures on August 1, 2021. There is a provision whereby if the City is unable to make payment, does not comply with covenants, or files for reorganization or rearrangement the trustee may declare the entire unpaid principal and interest immediately due and payable.

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

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 70,000	\$ 7,656
2021	<u>70,000</u>	<u>4,594</u>
2022	<u>70,000</u>	<u>1,531</u>
Total	<u>\$ 210,000</u>	<u>\$ 13,781</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

#### **2017 Series Water Revenue Bonds**

In 2017, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$8,160,000 to finance capital projects in the Water fund. The original amount of the bonds (\$8,160,000) were secured by installment payments to be made by the City of Chowchilla under an installment sale agreement. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of Bonds at that time outstanding, declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately. These installment payments are secured by a pledge of and lien on the net revenues of the Water Fund. Principal is payable annually on June 1 in amounts from \$10,000 to \$775,000, with interest due semi-annually at variable rates between 2.6% - 5.0% and matures on June 1, 2047.

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

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 10,000	\$ 361,663
2021	25,000	361,403
2022	30,000	360,720
2023	35,000	359,832
2024	-	358,737
2025-2029	335,000	1,776,212
2030-2034	1,005,000	1,660,685
2035-2039	1,960,000	1,411,515
2040-2044	3,430,000	838,043
2045-2047	<u>1,330,000</u>	<u>106,636</u>
Total	<u>\$ 8,160,000</u>	<u>\$ 7,595,446</u>

#### **2017 Series Wastewater Revenue Bonds**

In 2017, the Chowchilla Public Financing Authority issued Revenue Bonds in the aggregate principal amount of \$3,310,000 to finance capital projects in the Sewer fund. The original amount of the bonds (\$3,310,000) were secured by installment payments to be made by the City of Chowchilla under an installment sale agreement. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of Bonds at that time outstanding, declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately. These installment payments are secured by a pledge of and lien on the net revenues of the Sewer Fund. Principal is payable annually on June 1 in amounts from \$75,000 to \$275,000, with interest due semi-annually at variable rates between 2.33%-4.58% and matures on June 1, 2047.

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

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 65,000	\$ 141,865
2021	65,000	140,143
2022	35,000	137,931
2023	35,000	136,531
2024	40,000	135,131
2025-2029	250,000	649,099
2030-2034	410,000	587,313
2035-2039	630,000	479,205
2040-2044	965,000	308,000
2045-2047	<u>750,000</u>	<u>70,990</u>
Total	<u>\$ 3,245,000</u>	<u>\$ 2,786,208</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

##### **State Water Revolving Loan**

The City entered into a loan agreement in July 2014 with the State Water Resources Control Board for the purpose of undertaking a project which will enable the City to meet safe drinking water standards established pursuant Chapter 4 of Part 12 of Division 104 of the health and safety Code and the California Code of Regulations, Title 22, or to address other health concerns. The City was awarded a loan in the amount of \$3,205,991 for the purpose of installing water meters citywide. The loan is to be repaid over a 20-year period at an interest rate of 0%, which does not begin until the project is completed. In the event of a default, the State shall charge interest in the amount of one tenth of one percent (0.1%) of the delinquent amount each day it remains unpaid past the tenth (10th) day after the date payment was due. The City completed the project during 2018 and the first payment is due on January 1, 2019.

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

Fiscal Year Ending June 30,	Principal
2020	\$ 160,300
2021	160,300
2022	160,300
2023	160,300
2024	160,300
2025-2029	801,498
2030-2034	801,498
2035-2039	<u>641,195</u>
 Total	 <u>\$ 3,045,691</u>

##### **Special Assessment District Debt**

On March 15, 2017, the Chowchilla Public Financing Authority issued \$3,138,000 of 2017 Refunding Revenue Bonds (Reassessment District No 2003-1 Greenhills) for the purpose of creating annual debt savings. The total debt service payments were reduced by \$140,898. The 2017 direct placement Refunding Bonds are secured by a pledge of and first lien on the revenues to be derived from the Local Agency Bonds (2003 Local Obligations). The Authority will receive the reserve fund upon final maturity. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City's liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2019 is \$2,352,000.

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 direct placement 2013 Local Obligations are fully secured by the unpaid special assessments levied on 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, 2019 is \$2,860,628.

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 7 – LONG-TERM DEBT** (Continued)

##### **Special Assessment District Debt** (Continued)

In 2007, the City issued Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Bonds in the aggregate principal amount of \$8,615,000 to finance certain capital expenses of the District, to pay costs of issuance of the Bonds, and to fund two years' capitalized interest on the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds (\$8,615,000) are secured under the Trust indenture by a pledge and lien upon Net Taxes levied on parcels within the District and all moneys in the Special Tax Fund. The Bonds were issued for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of facilities to serve the area within the District and its neighboring areas. Semiannual payments range from \$13,375 to \$560,486 and are payable each March 1 and September 1 through 2037. The amount outstanding as of June 30, 2019 is \$6,810,000.

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

#### **NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditures) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 9.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

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

	CDBG				Total	
	General Fund	Grants	Other	Governmental		
		Special	Revenue			
Intergovernmental	\$ 175,102	\$ -	\$ 569,631	\$ 744,733		
Notes	<u>-</u>	<u>20,837,539</u>	<u>1,631,489</u>	<u>22,469,028</u>		
Total	<u>\$ 175,102</u>	<u>\$ 20,837,539</u>	<u>\$ 2,201,120</u>	<u>\$ 23,213,761</u>		

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN**

##### **General Information about the Pension Plans**

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

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

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013 2.5% @ 55 5 years service monthly for life 50 to 55 2.0% to 2.5%	January 1, 2011 thru December 31, 2012 2% @ 60 5 years service monthly for life 50 to 63 1.092% to 2.418%	On or after January 1, 2013 2% @ 62 5 years service monthly for life 52 to 67 1.0% to 2.5%
Benefit formula			
Benefit vesting schedule			
Benefit payments			
Retirement age			
Monthly benefits, as a % of eligible compensation			
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.609%	7.634%	6.842%
	Safety (Police) 1st Tier	Safety (Police) 2nd Tier	Safety (Police) PEPRA
Hire date	Prior to January 1, 2013 3% @ 55 5 years service monthly for life 50 - 55 2.4% to 3.0%	January 1, 2011 thru December 31, 2012 2% @ 55 5 years service monthly for life 50 to 55 1.426 % to 2.0%	On or after January 1, 2013 2.0% @ 57 5 years service monthly for life 50 - 57 1.426% to 2.0%
Benefit formula			
Benefit vesting schedule			
Benefit payments			
Retirement age			
Monthly benefits, as a % of eligible compensation			
Required employee contribution rates	9.000%	7.000%	9.500%
Required employer contribution rates	18.677%	12.848%	10.020%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's contribution for the unfunded liability was \$10,874,600 for the fiscal year ended June 30, 2019.

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

##### **General Information about the Pension Plans** (Continued)

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City’s contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2019 were \$1,034,227.

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

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,615,478.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.1088%
Proportion - June 30, 2018	0.1102%
Change - Increase (Decrease)	0.0014%

For the year ended June 30, 2019, the City recognized pension expense of \$1,664,079. At June 30, 2019, the City reported deferred outflows of resources and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 11,304,271	\$ -
Changes of assumptions	920,132	185,545
Differences between actual and expected experience	242,014	39,123
Net differences between projected and actual earnings on plan investments	49,204	-
Change in employer's proportion	45,790	35,043
Differences between the employer's actual contributions and the employer's proportionate share of contributions	98,361	20,791
<b>Total</b>	<b>\$ 12,659,772</b>	<b>\$ 280,502</b>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

\$11,304,271 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2020	\$ 868,444
2021	516,066
2022	(239,932)
2023	(69,579)
2024	-
Therafter	-

#### **Actuarial Assumptions**

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.30% to 14.20% <sup>(1)</sup>
Investment Rate of Return	7.50% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership data for all Funds <sup>(3)</sup>

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table was developed based on CalPERS specific data.

The table includes 15 years of mortality improvements using  
Society of Actuaries Scale 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

**Change of Assumptions** – In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

##### **Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERP cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class <sup>(a)</sup>	New Strategic Allocation	Real Return Years 1-10 <sup>(b)</sup>	Real Return Years 11+ <sup>(c)</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

<sup>(a)</sup> In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>(b)</sup> An expected inflation of 2.0% used for this period

<sup>(c)</sup> An expected inflation of 2.92% used for this period

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

##### **Discount Rate** (Continued)

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 15,495,319	\$ 10,615,478	\$ 6,599,055

##### **Pension Plan Fiduciary Net Position**

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

##### **Payable to the Pension Plan**

The City had an outstanding amount of contributions of \$28,608 due to the pension plan required for the year ended June 30, 2019.

#### **NOTE 10 – POST-RETIREMENT HEALTH CARE BENEFITS**

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

#### **NOTE 11 – RISK MANAGEMENT**

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

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 11 – RISK MANAGEMENT** (Continued)

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 of 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 for 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, 2019:

Total assets	\$ 128,442,162
Total liabilities	<u>109,661,346</u>
Total net position	<u>\$ 18,780,816</u>
Revenues	\$ 53,005,963
Expenses	<u>52,250,549</u>
Change in net position	<u>\$ 755,414</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.

#### **NOTE 12 – DEFICIT IN FUND EQUITY**

##### **Major Governmental Funds**

***Capital Projects Fund*** – A deficit in fund balance at June 30, 2019 in the amount of \$1,257 is due to current year expenditures in excess of revenues. This deficit is expected to be alleviated through future revenues or transfers from other funds.

##### **Nonmajor Governmental Funds**

***Transit System Special Revenue Fund*** – A deficit in fund balance at June 30, 2019 in the amount of \$288,791 is due to revenues that were recorded but not received within 60 days from the end of the fiscal year and, therefore, were treated as unavailable revenue in the financial statements.

##### **Internal Service Funds**

***Employee Benefits Internal Service Fund*** – A deficit in net position at June 30, 2019, in the amount of \$401,424, 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.

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

##### **Federal Awards and Grants**

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

##### **Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2019, 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	\$ -	\$ -	\$ 160,816
CDBG Grants Special Revenue Fund	-	-	-
Capital Projects Fund	207,959	-	-
Other governmental funds	330,986	-	-

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

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

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

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

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

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

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

(Continued)

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

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

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

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

#### **Cash and Investments**

As of June 30, 2019, the Successor Agency has a cash and investment balance of \$136,735.

#### **Capital Assets**

Capital assets reported in the Successor Agency Trust Fund at June 30, 2019 were comprised of the following:

##### **Governmental Activities:**

	Balance July 1, 2018	Additions	Reductions	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 256,903	\$ _____ -	\$ _____ -	\$ (256,903)	\$ _____ -
Total capital assets, not being depreciated	<u>256,903</u>	<u>_____ -</u>	<u>_____ -</u>	<u>(256,903)</u>	<u>_____ -</u>
Capital assets, being depreciated:					
Buildings and improvements	1,450,103	_____ -	_____ -	(1,450,103)	_____ -
Total capital assets, being depreciated	<u>1,450,103</u>	<u>_____ -</u>	<u>_____ -</u>	<u>(1,450,103)</u>	<u>_____ -</u>
Less accumulated depreciation for:					
Buildings and improvements	(118,551)	_____ -	_____ -	118,551	_____ -
Total accumulated depreciation	<u>(118,551)</u>	<u>_____ -</u>	<u>_____ -</u>	<u>118,551</u>	<u>_____ -</u>
Total capital assets being depreciated, net	1,331,552	_____ -	_____ -	(1,331,552)	_____ -
Governmental activities capital assets, net	<u>\$ 1,588,455</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ (1,588,455)</u>	<u>\$ _____ -</u>

## CITY OF CHOWCHILLA

### **NOTES TO THE BASIC FINANCIAL STATEMENTS** **JUNE 30, 2019**

#### **NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY** (Continued)

##### **Capital Assets** (Continued)

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2019 was comprised of the following:

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
2016 Successor Agency Tax Refunding Bond	\$ 5,930,000	\$ -	\$ (240,000)	\$ 5,690,000	\$ 240,000
Add: Premiums	230,820	-	(12,688)	218,132	-
<b>Total</b>	<b>\$ 6,160,820</b>	<b>\$ -</b>	<b>\$ (252,688)</b>	<b>\$ 5,908,132</b>	<b>\$ 240,000</b>

##### **2016 Successor Agency Tax Allocation Refunding Bonds**

In 2016, the Successor Agency of the City of Chowchilla issued Tax Allocation Refunding Bonds in the aggregate principal amount of \$6,190,000 to refund the 2005 RDA Tax Allocation Bonds. This was done to take advantage of lower interest rates and to save on future debt service payments. As a result, the 2005 RDA Tax Allocation Bonds are considered defeased and the liability for that bond is not included in fiduciary fund (private-purpose trust fund) statement of net position. The total debt service payments were reduced by \$365,124. The original amount of the note - \$6,190,000 – was secured by a pledge of tax revenues consisting of tax increment payments to be received by the Successor Agency. Semiannual payments range from \$5,294 to \$390,294 and are payable each February 1 and August 1 through 2036. There is a provision whereby if the Successor Agency is unable to make payment, does not comply with bond covenants, or files for reorganization or arrangement, the Trustee may declare the principal of all bonds outstanding and the accrued interest thereon to be due and payable immediately.

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

Fiscal Year Ending June 30,	Principal	Interest
2020	\$ 240,000	\$ 165,556
2021	250,000	155,756
2022	260,000	146,856
2023	265,000	138,981
2024-2028	1,490,000	534,631
2029-2033	1,705,000	298,906
2034-2037	<u>1,480,000</u>	<u>81,647</u>
<b>Total</b>	<b><u>\$ 5,690,000</u></b>	<b><u>\$ 1,522,333</u></b>

##### **Insurance**

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

## **CITY OF CHOWCHILLA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2019**

#### **NOTE 15 – EXTRAORDINARY ITEM**

In accordance with the timeline set forth in ABX1 26 (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 legal entities as of February 1, 2012. Upon approval of the Redevelopment Agency's Long-Range Property Management Plan (LRPMP), designated assets were transferred to the Successor Agency or City dependent on the approved use noted in the approved LRPMP. During the year ended June 30, 2019 the City identified assets that were government-use in nature but were not included on the original approved LRPMP and were not transferred to the City during the initial LRPMP. With guidance from the California Department of Finance, the City has determined the proper treatment of these assets is government use and have transferred, as of July 1, 2018, all capital assets and related accumulated depreciation to the City from the Successor Agency.

On July 1, 2018, the City identified \$1,588,455 of capital assets to be transferred from the Successor Agency that were owned by the City. Therefore, the City has recorded an extraordinary item on the Statement of Activities in the above amount to recognize these capital assets. The capital assets are included within the City's capital assets and are reflected as transfers in Note 6.

#### **NOTE 16 – SUBSEQUENT EVENT**

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, the State of California issued a shelter in-place order and the temporary closure of all businesses deemed to be nonessential. Accordingly, there will be a contraction of the national, state and City's economy, which will potentially result in a reduction and/or delay of the receipt of tax revenues, as well as hinder certain other revenue generating operations of the City. Additionally, it may negatively impact the ability of the City to collect on certain balances due from others. While the City expects there to potentially be a negative financial impact, since the duration and impact is unknown, management is unable to reasonably quantify the effect on future financial statements.

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, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 3,029,579	\$ 3,187,204	\$ 3,250,659	\$ 63,455
Licenses and permits	316,300	326,800	335,769	8,969
Fines and penalties	64,050	65,550	-	(65,550)
Intergovernmental	2,467,173	2,612,336	2,511,697	(100,639)
Use of money and property	141,636	156,636	233,140	76,504
Charges for services	80,484	95,484	98,481	2,997
Legal settlement	514,000	514,000	514,667	667
Miscellaneous	<u>47,991</u>	<u>59,790</u>	<u>141,699</u>	<u>81,909</u>
Total revenues	<u>6,661,213</u>	<u>7,017,800</u>	<u>7,086,112</u>	<u>68,312</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,682,305	1,875,808	1,799,928	75,880
Public safety	4,177,365	9,276,106	9,218,459	57,647
Culture and recreation	670,201	1,303,136	1,200,606	102,530
Community development	709,836	1,020,967	869,322	151,645
Capital outlay	<u>1,074,000</u>	<u>756,750</u>	<u>681,148</u>	<u>75,602</u>
Total expenditures	<u>9,313,707</u>	<u>14,232,767</u>	<u>13,769,463</u>	<u>463,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,652,494)</u>	<u>(7,214,967)</u>	<u>(6,683,351)</u>	<u>531,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	560,000	7,593,478	7,321,441	(272,037)
Transfers out	(494,859)	(552,079)	(542,166)	9,913
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>3,840</u>	<u>3,840</u>
Total other financing sources (uses)	<u>65,141</u>	<u>7,041,399</u>	<u>6,783,115</u>	<u>(258,284)</u>
Net change in fund balance	<u>\$ (2,587,353)</u>	<u>\$ (173,568)</u>	<u>99,764</u>	<u>\$ 273,332</u>
Fund balances, beginning			4,817,200	
Fund balances, ending			<u>\$ 4,916,964</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, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Fines and penalties	\$ -	\$ -	\$ 933	\$ 933
Intergovernmental	30,000	30,000	131,979	101,979
Use of money and property	2,000	2,000	10,436	8,436
Charges for services	<u>7,000</u>	<u>34,103</u>	<u>37,603</u>	<u>3,500</u>
Total revenues	<u>39,000</u>	<u>66,103</u>	<u>180,951</u>	<u>114,848</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>22,000</u>	<u>29,000</u>	<u>21,205</u>	<u>7,795</u>
Total expenditures	<u>22,000</u>	<u>29,000</u>	<u>21,205</u>	<u>7,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,000</u>	<u>37,103</u>	<u>159,746</u>	<u>122,643</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>9,041</u>	<u>(5,959)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>9,041</u>	<u>(5,959)</u>
Net change in fund balance	<u>\$ 32,000</u>	<u>\$ 52,103</u>	<u>168,787</u>	<u>\$ 116,684</u>
Fund balances, beginning			<u>634,659</u>	
Fund balances, ending			<u>\$ 803,446</u>	

**CITY OF CHOWCHILLA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
IMPACT FEES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Use of money and property	\$ 16,200	\$ 16,200	\$ 60,389	\$ 44,189
Charges for services	437,671	437,671	46,340	(391,331)
Miscellaneous	<u>104,634</u>	<u>104,634</u>	<u>7,725</u>	<u>(96,909)</u>
Total revenues	<u>558,505</u>	<u>558,505</u>	<u>114,454</u>	<u>(444,051)</u>
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>558,505</u>	<u>558,505</u>	<u>114,454</u>	<u>(444,051)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(380,000)	(380,000)	(23,237)	356,763
Total other financing sources (uses)	<u>(380,000)</u>	<u>(380,000)</u>	<u>(23,237)</u>	<u>356,763</u>
Net change in fund balance	<u>\$ 178,505</u>	<u>\$ 178,505</u>	<u>91,217</u>	<u>\$ (87,288)</u>
Fund balances, beginning			3,344,436	
Fund balances, ending			<u>\$ 3,435,653</u>	

## **CITY OF CHOWCHILLA**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019**

#### **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.
- 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. The level of control (level at which expenditures may not exceed budget) is at fund level for the General Fund, fund level for the Special Revenue Funds, and project level for the Capital Projects Funds.

##### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City did not incur any expenditures in excess of appropriations for the year ended June 30, 2019.

**CITY OF CHOWCHILLA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF THE CITY'S**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST 10 YEARS\***  
**AS OF JUNE 30, 2019**

	2015	2016	2017	2018	2019
Proportion of the net pension liability	0.1141%	0.1170%	0.1107%	0.1088%	0.1102%
Proportionate share of the net pension liability	\$ 7,165,731	\$ 8,032,145	\$ 9,583,127	\$ 10,793,945	\$ 10,615,478
Covered payroll	\$ 3,644,535	\$ 3,617,983	\$ 3,411,501	\$ 3,728,201	\$ 3,960,212
Proportionate share of the net pension liability as percentage of covered payroll	196.62%	222.01%	280.91%	289.52%	268.05%
Plan fiduciary net position as a percentage of the total pension liability	78.02%	74.09%	70.07%	69.45%	70.84%

**Notes to Schedule:**

**Change in Benefit Terms** - None

**Change in Assumptions** - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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

**CITY OF CHOWCHILLA**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 YEARS\***  
**AS OF JUNE 30, 2019**

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 788,942	\$ 745,347	\$ 848,864	\$ 942,347	\$ 1,034,227	\$ 694,478
Contributions in relation to the actuarially determined contributions	<u>(788,942)</u>	<u>(745,347)</u>	<u>848,864</u>	<u>942,347</u>	<u>1,034,227</u>	<u>11,304,271</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,609,793)</u>
Covered payroll	\$ 3,644,535	\$ 3,617,983	\$ 3,411,501	\$ 3,728,201	\$ 3,960,212	\$ 3,991,276
Contributions as a percentage of covered payroll	21.65%	20.60%	24.88%	25.28%	26.12%	283.22%

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

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2019**

	State Gas Tax	SB1	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District
<b>ASSETS</b>						
Cash and investments	\$ 410,478	\$ 234,843	\$ -	\$ 660,707	\$ 1,329,079	\$ 1,053,309
Accounts receivable	-	-	-	4,021	-	-
Intergovernmental receivables	-	61,644	13,460	252,972	100,944	5,622
Notes receivable, net	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 410,478</b>	<b>\$ 296,487</b>	<b>\$ 13,460</b>	<b>\$ 917,700</b>	<b>\$ 1,430,023</b>	<b>\$ 1,058,931</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 33,457	\$ -	\$ 5,695
Due to other funds	-	-	13,460	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>13,460</b>	<b>33,457</b>	<b>-</b>	<b>5,695</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	-	-	-	252,972	36,920	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252,972</b>	<b>36,920</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted for:						
Highway and streets	410,478	296,487	-	631,271	1,393,103	1,053,236
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>410,478</b>	<b>296,487</b>	<b>-</b>	<b>631,271</b>	<b>1,393,103</b>	<b>1,053,236</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 410,478</b>	<b>\$ 296,487</b>	<b>\$ 13,460</b>	<b>\$ 917,700</b>	<b>\$ 1,430,023</b>	<b>\$ 1,058,931</b>

**CITY OF CHOWCHILLA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2019**  
(Continued)

	Transit System	Home Investment Partnership Program	EDBG Grants	Low and Moderate Income Housing Asset Fund	Measure N	Total
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 9,838	\$ 156,413	\$ -	\$ 87,985	\$ 3,942,652
Accounts receivable	-	-	-	-	-	4,021
Intergovernmental receivables	411,173	-	-	-	305,201	1,151,016
Notes receivable, net	-	1,499,172	54,883	77,434	-	1,631,489
Land held for resale	-	-	-	104,000	-	104,000
<b>Total assets</b>	<b>\$ 411,173</b>	<b>\$ 1,509,010</b>	<b>\$ 211,296</b>	<b>\$ 181,434</b>	<b>\$ 393,186</b>	<b>\$ 6,833,178</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,832	\$ 144	\$ -	\$ -	\$ 480	\$ 41,608
Due to other funds	418,393	-	-	45,559	-	477,412
<b>Total liabilities</b>	<b>420,225</b>	<b>144</b>	<b>-</b>	<b>45,559</b>	<b>480</b>	<b>519,020</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	279,739	1,499,172	54,883	77,434	-	2,201,120
<b>Total deferred inflows of resources</b>	<b>279,739</b>	<b>1,499,172</b>	<b>54,883</b>	<b>77,434</b>	<b>-</b>	<b>2,201,120</b>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted for:						
Highway and streets	-	-	-	-	-	3,784,575
Community development	-	9,694	156,413	58,441	-	224,548
Public safety	-	-	-	-	392,706	392,706
Unassigned	(288,791)	-	-	-	-	(288,791)
<b>Total fund balances (deficit)</b>	<b>(288,791)</b>	<b>9,694</b>	<b>156,413</b>	<b>58,441</b>	<b>392,706</b>	<b>4,113,038</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 411,173</b>	<b>\$ 1,509,010</b>	<b>\$ 211,296</b>	<b>\$ 181,434</b>	<b>\$ 393,186</b>	<b>\$ 6,833,178</b>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	State Gas Tax	SB1	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District
<b>REVENUES</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ 1,504	\$ -	\$ -
Intergovernmental	320,807	345,400	10,134	111,193	597,790	-
Use of money and property	5,943	2,212	-	4,668	-	14,768
Charges for services	-	-	-	-	-	312,923
Loan repayments	-	-	-	-	-	-
Miscellaneous	-	-	-	1,158	-	-
Total revenues	<u>326,750</u>	<u>347,612</u>	<u>10,134</u>	<u>118,523</u>	<u>597,790</u>	<u>327,691</u>
<b>EXPENDITURES</b>						
Current:						
Highway and streets	-	-	-	775,378	-	248,153
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	27,099	-	-
Debt service:						
Principal	-	-	-	-	159,264	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,477</u>	<u>159,264</u>	<u>248,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>326,750</u>	<u>347,612</u>	<u>10,134</u>	<u>(683,954)</u>	<u>438,526</u>	<u>79,538</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	982,043	-	-
Transfers out	(142,957)	(73,275)	(10,134)	(149,992)	(312,208)	-
Proceeds from sale of capital assets	-	-	-	3,288	-	-
Total other financing sources (uses)	<u>(142,957)</u>	<u>(73,275)</u>	<u>(10,134)</u>	<u>835,339</u>	<u>(312,208)</u>	<u>-</u>
Net change in fund balances	183,793	274,337	-	151,385	126,318	79,538
Fund balances (deficit), beginning of year	<u>226,685</u>	<u>22,150</u>	<u>-</u>	<u>479,886</u>	<u>1,266,785</u>	<u>973,698</u>
Fund balances (deficit), end of year	<u>\$ 410,478</u>	<u>\$ 296,487</u>	<u>\$ -</u>	<u>\$ 631,271</u>	<u>\$ 1,393,103</u>	<u>\$ 1,053,236</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**  
(Continued)

	Transit System	Home Investment Partnership Program	EDBG Grants	Low and Moderate Income Housing Asset Fund	Measure N	Total
<b>REVENUES</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,504
Intergovernmental	278,479	450	-	-	393,079	2,057,332
Use of money and property	-	120	2,488	-	107	30,306
Charges for services	26,332	-	-	-	-	339,255
Loan repayments	-	-	35,972	-	-	35,972
Miscellaneous	786	-	-	-	-	1,944
Total revenues	<u>305,597</u>	<u>570</u>	<u>38,460</u>	<u>-</u>	<u>393,186</u>	<u>2,466,313</u>
<b>EXPENDITURES</b>						
Current:						
Highway and streets	1,012,994	-	-	-	480	2,037,005
Community development	-	2,825	32,679	-	-	35,504
Capital outlay	-	-	-	-	-	27,099
Debt service:						
Principal	-	-	-	-	-	159,264
Interest	-	-	-	-	-	-
Total expenditures	<u>1,012,994</u>	<u>2,825</u>	<u>32,679</u>	<u>-</u>	<u>480</u>	<u>2,258,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(707,397)</u>	<u>(2,255)</u>	<u>5,781</u>	<u>-</u>	<u>392,706</u>	<u>207,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	497,358	2,765	-	-	-	1,482,166
Transfers out	-	-	(11,806)	-	-	(700,372)
Proceeds from sale of capital assets	-	-	-	-	-	3,288
Total other financing sources (uses)	<u>497,358</u>	<u>2,765</u>	<u>(11,806)</u>	<u>-</u>	<u>-</u>	<u>785,082</u>
Net change in fund balances	(210,039)	510	(6,025)	-	392,706	992,523
Fund balances (deficit), beginning of year	<u>(78,752)</u>	<u>9,184</u>	<u>162,438</u>	<u>58,441</u>	<u>-</u>	<u>3,120,515</u>
Fund balances (deficit), end of year	<u>\$ (288,791)</u>	<u>\$ 9,694</u>	<u>\$ 156,413</u>	<u>\$ 58,441</u>	<u>\$ 392,706</u>	<u>\$ 4,113,038</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2019**

	Storm Drain	Airport	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,766,803	\$ 29,949	\$ 1,796,752
Accounts receivable, net	23,066	-	23,066
Intergovernmental receivables	-	61,153	61,153
Total current assets	<u>1,789,869</u>	<u>91,102</u>	<u>1,880,971</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	210,581	452,951	663,532
Depreciable, net of accumulated depreciation	<u>90,896</u>	<u>150,496</u>	<u>241,392</u>
Total noncurrent assets	<u>301,477</u>	<u>603,447</u>	<u>904,924</u>
Total assets	<u>2,091,346</u>	<u>694,549</u>	<u>2,785,895</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	63,787	19,414	83,201
Deferred outflows of resources from pensions	<u>7,631</u>	<u>2,284</u>	<u>9,915</u>
Total deferred outflows of resources	<u>71,418</u>	<u>21,698</u>	<u>93,116</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>21,606</u>	<u>29,955</u>	<u>51,561</u>
Total current liabilities	<u>21,606</u>	<u>29,955</u>	<u>51,561</u>
Noncurrent liabilities:			
Net pension liability	<u>58,779</u>	<u>17,889</u>	<u>76,668</u>
Total noncurrent liabilities	<u>58,779</u>	<u>17,889</u>	<u>76,668</u>
Total liabilities	<u>80,385</u>	<u>47,844</u>	<u>128,229</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	<u>2,651</u>	<u>743</u>	<u>3,394</u>
Total deferred outflows of resources	<u>2,651</u>	<u>743</u>	<u>3,394</u>
<b>NET POSITION</b>			
Net investment in capital assets	301,477	603,447	904,924
Unrestricted	<u>1,778,251</u>	<u>64,213</u>	<u>1,842,464</u>
Total net position	<u>\$ 2,079,728</u>	<u>\$ 667,660</u>	<u>\$ 2,747,388</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Storm Drain	Airport	Total
Operating revenues:			
Charges for services	\$ 216,458	\$ 19,483	\$ 235,941
Miscellaneous	538	28	566
Total operating revenues	<u>216,996</u>	<u>19,511</u>	<u>236,507</u>
Operating expenses:			
Personnel services	31,427	12,390	43,817
Materials, supplies and services	4,644	372,836	377,480
Depreciation	6,349	14,683	21,032
Total operating expenses	<u>42,420</u>	<u>399,909</u>	<u>442,329</u>
Operating income (loss)	<u>174,576</u>	<u>(380,398)</u>	<u>(205,822)</u>
Nonoperating revenues (expenses):			
Use of money and property	25,477	220	25,697
Taxes	-	17,880	17,880
Grants - capital	-	341,318	341,318
Total nonoperating revenues (expenses)	<u>25,477</u>	<u>359,418</u>	<u>384,895</u>
Income (loss) before transfers and extraordinary item	<u>200,053</u>	<u>(20,980)</u>	<u>179,073</u>
Transfers in	<u>57,432</u>	<u>78,771</u>	<u>136,203</u>
Extraordinary item (see note 15)	<u>13,115</u>	<u>-</u>	<u>13,115</u>
Change in net position	<u>270,600</u>	<u>57,791</u>	<u>328,391</u>
Net position, beginning of year	<u>1,809,128</u>	<u>609,869</u>	<u>2,418,997</u>
Net position, end of year	<u>\$ 2,079,728</u>	<u>\$ 667,660</u>	<u>\$ 2,747,388</u>

**CITY OF CHOWCHILLA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Storm Drain	Airport	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 216,281	\$ 21,436	\$ 237,717
Payments to suppliers	16,941	(348,422)	(331,481)
Payments to employees	(101,932)	(31,891)	(133,823)
Other operating revenues	538	28	566
Net cash provided by (used in) operating activities	<u>131,828</u>	<u>(358,849)</u>	<u>(227,021)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from other funds	57,432	78,771	136,203
Loans from other funds	-	(9,937)	(9,937)
Taxes received	-	17,880	17,880
Net cash provided by (used in) noncapital financing activities	<u>57,432</u>	<u>86,714</u>	<u>144,146</u>
<b>Cash flows from capital and related financing activities:</b>			
Grants received	-	301,864	301,864
Acquisition of capital assets	(43,257)	-	(43,257)
Net cash provided by (used in) capital and related financing activities	<u>(43,257)</u>	<u>301,864</u>	<u>258,607</u>
<b>Cash flows from investing activities:</b>			
Interest received	25,477	220	25,697
Net cash provided by (used in) investing activities	<u>25,477</u>	<u>220</u>	<u>25,697</u>
Net increase (decrease) in cash and cash equivalents	171,480	29,949	201,429
Cash and cash equivalents, beginning of year	<u>1,595,323</u>	<u>-</u>	<u>1,595,323</u>
Cash and cash equivalents, end of year	<u>\$ 1,766,803</u>	<u>\$ 29,949</u>	<u>\$ 1,796,752</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**  
(Continued)

Reconciliation of Operating Income (Loss) to Net  
Cash Provided by (Used in) Operating Activities:

Operating income (loss)	\$ 174,576	\$ (380,398)	\$ (205,822)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,349	14,683	21,032
(Increase) decrease in:			
Accounts receivable	(177)	1,953	1,776
Prepaid expenses	-	2,333	2,333
Deferred outflows of resources from pensions	(46,582)	(15,229)	(61,811)
Increase (decrease) in:			
Accounts payable and other liabilities	21,585	22,081	43,666
Net pension liability	(23,121)	(4,211)	(27,332)
Deferred inflows of resources from pension	<u>(802)</u>	<u>(61)</u>	<u>(863)</u>
Net cash provided by (used in) operating activities	<u>\$ 131,828</u>	<u>\$ (358,849)</u>	<u>\$ (227,021)</u>

Schedule of Non-Cash Capital and Related  
Financing Activities:

Transfer of capital assets (extraordinary item)	<u>\$ 13,115</u>	<u>\$ -</u>	<u>\$ 13,115</u>
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**CITY OF CHOWCHILLA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2019**

	Fleet Maintenance	Information Technology	Employee Benefits	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,821	\$ 82,545	\$ 184,635	\$ 273,001
Prepaid expenses	- -	- -	48,225 48,225	
Total current assets	5,821	82,545	232,860	321,226
Noncurrent assets:				
Capital assets:				
Depreciable, net of accumulated depreciation	- -	67,282 67,282	- -	67,282 67,282
Total noncurrent assets	- -	67,282 67,282	- -	67,282 67,282
Total assets	5,821	149,827	232,860	388,508
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to pension plan in current fiscal year	131,659	148,375	- -	280,034
Deferred outflows of resources from pensions	15,669	18,285	- -	33,954
Total deferred outflows of resources	147,328	166,660	- -	313,988
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	5,093	82,543	4,656	92,292
Accrued payroll	- -	- -	240,916 240,916	
Compensated absences	- -	- -	330,659 330,659	
Total current liabilities	5,093	82,543	576,231	663,867
Noncurrent liabilities:				
Compensated absences	- -	- -	58,053 58,053	
Net pension liability	121,382	136,726	- -	258,108
Total noncurrent liabilities	121,382	136,726	58,053	316,161
Total liabilities	126,475	219,269	634,284	980,028
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources from pensions	4,934	6,769	- -	11,703
Total deferred inflows of resources	4,934	6,769	- -	11,703
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	- -	67,282 23,167	- (401,424)	67,282 (356,517)
Unrestricted (deficit)	21,740			
Total net position (deficit)	\$ 21,740	\$ 90,449	\$ (401,424)	\$ (289,235)

**CITY OF CHOWCHILLA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 216,777	\$ 399,958	\$ -	\$ 616,735
Miscellaneous	<u>438</u>	<u>319</u>	<u>-</u>	<u>757</u>
Total operating revenues	<u>217,215</u>	<u>400,277</u>	<u>-</u>	<u>617,492</u>
Operating expenses:				
Personnel services	91,056	1,226	(23,777)	68,505
Materials, supplies and services	83,212	226,059	-	309,271
Depreciation	<u>-</u>	<u>1,270</u>	<u>-</u>	<u>1,270</u>
Total operating expenses	<u>174,268</u>	<u>228,555</u>	<u>(23,777)</u>	<u>379,046</u>
Operating income (loss)	<u>42,947</u>	<u>171,722</u>	<u>23,777</u>	<u>238,446</u>
Nonoperating revenues (expenses):				
Gain (loss) sale of assets	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>1,360</u>
Total nonoperating revenues (expenses)	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>1,360</u>
Income (loss) before transfers	<u>44,307</u>	<u>171,722</u>	<u>23,777</u>	<u>239,806</u>
Transfers in	<u>114,863</u>	<u>132,093</u>	<u>-</u>	<u>246,956</u>
Change in net position	<u>159,170</u>	<u>303,815</u>	<u>23,777</u>	<u>486,762</u>
Net position (deficit), beginning of year	<u>(137,430)</u>	<u>(213,366)</u>	<u>(425,201)</u>	<u>(775,997)</u>
Net position (deficit), end of year	<u>\$ 21,740</u>	<u>\$ 90,449</u>	<u>\$ (401,424)</u>	<u>\$ (289,235)</u>

**CITY OF CHOWCHILLA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Fleet Maintenance	Information Technology	Employee Benefits	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 216,777	\$ 399,958	\$ -	\$ 616,735
Payments to suppliers	(78,767)	(155,199)	- -	(233,966)
Payments to or received from employees	(249,493)	(250,537)	21,820	(478,210)
Other operating revenues	<u>438</u>	<u>319</u>	<u>-</u>	<u>757</u>
Net cash provided by (used in) operating activities	<u>(111,045)</u>	<u>(5,459)</u>	<u>21,820</u>	<u>(94,684)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	<u>114,863</u>	<u>132,093</u>	<u>-</u>	<u>246,956</u>
Net cash provided by (used in) noncapital financing activities	<u>114,863</u>	<u>132,093</u>	<u>-</u>	<u>246,956</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(55,773)	- -	(55,773)
Proceeds from the sale of assets	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>1,360</u>
Net cash provided by (used in) related financing activities	<u>1,360</u>	<u>(55,773)</u>	<u>-</u>	<u>(54,413)</u>
Net increase (decrease) in cash and cash equivalents	5,178	70,861	21,820	97,859
Cash and cash equivalents, beginning of year	<u>643</u>	<u>11,684</u>	<u>162,815</u>	<u>175,142</u>
Cash and cash equivalents, end of year	<u>\$ 5,821</u>	<u>\$ 82,545</u>	<u>\$ 184,635</u>	<u>\$ 273,001</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 42,947	\$ 171,722	\$ 23,777	\$ 238,446
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	- -	1,270	- -	1,270
(Increase) decrease in:				
Prepaid expenses	- -	- -	(3,500)	(3,500)
Deferred outflows of resources from pensions	(94,466)	(78,424)	- -	(172,890)
Increase (decrease) in:				
Accounts payable and other liabilities	4,445	70,860	25,320	100,625
Compensated absences	- -	- -	(23,777)	(23,777)
Net pension liability	(63,029)	(165,524)	- -	(228,553)
Deferred inflows of resources from pensions	<u>(942)</u>	<u>(5,363)</u>	<u>- -</u>	<u>(6,305)</u>
Net cash provided by (used in) operating activities	<u>\$ (111,045)</u>	<u>\$ (5,459)</u>	<u>\$ 21,820</u>	<u>\$ (94,684)</u>

**CITY OF CHOWCHILLA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2019**

	June 30, 2018	Additions	Deletions	June 30, 2019
<b>Community Facilities District</b>				
<b>ASSETS</b>				
Cash and investments				
Cash and investments	\$ 821,896	\$ 1,088,444	\$ (917,286)	\$ 993,054
Restricted cash with fiscal agents	1,640,317	15,609	(1,082,430)	573,496
Accounts receivable	402	46,149	(803)	45,748
Total assets	<u>\$ 2,462,615</u>	<u>\$ 1,150,202</u>	<u>\$ (2,000,519)</u>	<u>\$ 1,612,298</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 2,462,615</u>	<u>\$ 1,150,202</u>	<u>\$ (2,000,519)</u>	<u>\$ 1,612,298</u>
<b>Greenhills Assessment District</b>				
<b>ASSETS</b>				
Cash and investments	\$ 472,068	\$ 889,046	\$ (864,698)	\$ 496,416
Restricted cash with fiscal agents	252,604	3,241	(175,306)	80,539
Accounts receivable	3,828	11,483	(7,655)	7,656
Total assets	<u>\$ 728,500</u>	<u>\$ 903,770</u>	<u>\$ (1,047,659)</u>	<u>\$ 584,611</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 728,500</u>	<u>\$ 903,770</u>	<u>\$ (1,047,659)</u>	<u>\$ 584,611</u>
<b>Pheasant Run Assessment District</b>				
<b>ASSETS</b>				
Cash and investments	\$ 468,832	\$ 660,610	\$ (597,625)	\$ 531,817
Restricted cash with fiscal agents	171,400	2,647	(29,215)	144,832
Accounts receivable	11,109	27,902	(22,218)	16,793
Total assets	<u>\$ 651,341</u>	<u>\$ 691,159</u>	<u>\$ (649,058)</u>	<u>\$ 693,442</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 651,341</u>	<u>\$ 691,159</u>	<u>\$ (649,058)</u>	<u>\$ 693,442</u>
<b>Developer Deposits</b>				
<b>ASSETS</b>				
Cash and investments	\$ (74,646)	\$ 110,525	\$ (135,324)	\$ (99,445)
Total assets	<u>\$ (74,646)</u>	<u>\$ 110,525</u>	<u>\$ (135,324)</u>	<u>\$ (99,445)</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ (74,646)</u>	<u>\$ 110,525</u>	<u>\$ (135,324)</u>	<u>\$ (99,445)</u>
<b>Total Agency Funds</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,688,150	\$ 2,748,625	\$ (2,514,933)	\$ 1,921,842
Restricted cash with fiscal agents	2,064,321	21,497	(1,286,951)	798,867
Accounts receivable	15,339	85,534	(30,676)	70,197
Total assets	<u>\$ 3,767,810</u>	<u>\$ 2,855,656</u>	<u>\$ (3,832,560)</u>	<u>\$ 2,790,906</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 3,767,810</u>	<u>\$ 2,855,656</u>	<u>\$ (3,832,560)</u>	<u>\$ 2,790,906</u>

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## OTHER INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards general 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2020.

### **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.

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

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

570 N. Magnolia Avenue, Suite 100  
Clovis, CA 93611

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fax 559.299.2344

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Price Paige & Company*

Clovis, California  
April 21, 2020

## FINDINGS AND QUESTIONED COSTS

**CITY OF CHOWCHILLA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	_____	Yes	<input checked="" type="checkbox"/> No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**CITY OF CHOWCHILLA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS**

None reported.