

**CITY OF CHOWCHILLA  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**CITY OF CHOWCHILLA**  
**JUNE 30, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor’s Report</b> .....	1
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	5
Statement of Activities.....	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities .....	13
Statement of Net Position – Proprietary Funds .....	14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	15
Statement of Cash Flows – Proprietary Funds .....	16
Statement of Net Position – Fiduciary Funds.....	18
Statement of Changes in Net Position – Fiduciary Funds .....	19
Notes to the Basic Financial Statements.....	22
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund .....	60
CDBG Grants Special Revenue Fund .....	61
Impact Fees Special Revenue Fund.....	62
Notes to the Required Supplementary Information .....	63
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of the City’s Proportionate Share of Net Pension Liability .....	64
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions .....	65

**CITY OF CHOWCHILLA**  
**JUNE 30, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Other Supplementary Information</b>	
Combining Nonmajor Special Revenue Funds Statements:	
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	70
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	72
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds .....	73
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	74
Combining Statement of Net Position – Internal Service Funds .....	75
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	76
Combining Statement of Cash Flows – Internal Service Funds .....	77
Statement of Changes in Assets and Liabilities – Agency Funds .....	78
<b>Other Independent Auditor’s Report</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	81
<b>Findings and Questioned Costs</b>	
Schedule of Findings and Questioned Costs .....	84
Summary Schedule of Prior Audit Findings .....	85



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chowchilla, California, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue  
Clovis, CA 93612  
tel 559.299.9540  
fax 559.299.2344

## Other Matters

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 60-63, schedule of the City's proportionate share of the net pension liability on page 64, and schedule of contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the City of Chowchilla, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
March 26, 2018

## BASIC FINANCIAL STATEMENTS

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

**CITY OF CHOWCHILLA**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,840,934	\$ 4,359,138	\$ 14,200,072
Restricted cash and investments	443,812	11,508,617	11,952,429
Accounts receivable, net	251,240	2,547,580	2,798,820
Intergovernmental receivables	1,691,647	8,021	1,699,668
Notes receivable, net	21,805,832	-	21,805,832
Prepaid expenses	40,593	120,634	161,227
Land held for resale	104,000	-	104,000
Internal balances	73,412	(73,412)	-
Capital assets:			
Nondepreciable	1,411,555	4,837,800	6,249,355
Depreciable, net of accumulated depreciation	<u>15,206,742</u>	<u>10,199,721</u>	<u>25,406,463</u>
Total assets	<u>50,869,767</u>	<u>33,508,099</u>	<u>84,377,866</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	839,417	145,149	984,566
Deferred outflows of resources from pensions	<u>1,663,812</u>	<u>315,501</u>	<u>1,979,313</u>
Total deferred outflows of resources	<u>2,503,229</u>	<u>460,650</u>	<u>2,963,879</u>
<b>LIABILITIES</b>			
Accounts payable	630,487	4,098,654	4,729,141
Accrued payroll	141,384	-	141,384
Deposits	4,594	169,783	174,377
Accrued interest	1,715,099	17,173	1,732,272
Unearned revenues	22,024	9,096	31,120
Long-term liabilities:			
Net pension liability	8,016,947	1,566,180	9,583,127
Due within one year	517,532	85,000	602,532
Due in more than one year	<u>14,988,716</u>	<u>14,119,269</u>	<u>29,107,985</u>
Total liabilities	<u>26,036,783</u>	<u>20,065,155</u>	<u>46,101,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	<u>348,857</u>	<u>61,050</u>	<u>409,907</u>
Total deferred inflows of resources	<u>348,857</u>	<u>61,050</u>	<u>409,907</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,800,115	14,034,371	25,834,486
Restricted for:			
Highway and streets	3,146,921	-	3,146,921
Community development	22,676,293	-	22,676,293
Transit	41,698	-	41,698
Construction projects	3,237,852	-	3,237,852
Debt service	-	-	-
Unrestricted	<u>(13,915,523)</u>	<u>(191,827)</u>	<u>(14,107,350)</u>
Total net position	<u>\$ 26,987,356</u>	<u>\$ 13,842,544</u>	<u>\$ 40,829,900</u>

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



**CITY OF CHOWCHILLA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
General government	\$ 795,499	\$ 473,496	\$ 23,934	\$ -
Public safety	3,226,534	166,386	321,024	-
Highways and streets	1,570,114	423,885	1,071,893	703,973
Culture and recreation	465,278	855	5,000	45,722
Community development	856,389	260,348	1,456	-
Interest and fiscal charges	<u>570,097</u>	-	-	-
Total governmental activities	<u>7,483,911</u>	<u>1,324,970</u>	<u>1,423,307</u>	<u>749,695</u>
Business-type activities:				
Water	3,367,004	2,124,416	-	983,310
Solid waste	1,211,317	1,364,649	5,027	-
Sewer	1,560,135	1,399,441	-	-
Airport	22,778	19,586	10,000	-
Storm drain	<u>47,953</u>	<u>209,499</u>	-	-
Total business-type activities	<u>6,209,187</u>	<u>5,117,591</u>	<u>15,027</u>	<u>983,310</u>
Total	<u>\$ 13,693,098</u>	<u>\$ 6,442,561</u>	<u>\$ 1,438,334</u>	<u>\$ 1,733,005</u>

General revenues:

Taxes:

Property

Sales

Transient lodging

Franchises

Documentary stamp

Motor vehicle in lieu - unrestricted

Investment earnings

Rental income

Legal settlement

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (298,069)	\$ -	\$ (298,069)
(2,739,124)	-	(2,739,124)
629,637	-	629,637
(413,701)	-	(413,701)
(594,585)	-	(594,585)
<u>(570,097)</u>	<u>-</u>	<u>(570,097)</u>
<u>(3,985,939)</u>	<u>-</u>	<u>(3,985,939)</u>
-	(259,278)	(259,278)
-	158,359	158,359
-	(160,694)	(160,694)
-	6,808	6,808
<u>-</u>	<u>161,546</u>	<u>161,546</u>
<u>-</u>	<u>(93,259)</u>	<u>(93,259)</u>
<u>(3,985,939)</u>	<u>(93,259)</u>	<u>(4,079,198)</u>
876,448	8,724	885,172
1,380,035	-	1,380,035
306,259	-	306,259
245,167	-	245,167
35,739	-	35,739
1,948,930	-	1,948,930
497,607	18,392	515,999
107,470	-	107,470
544,623	-	544,623
144,211	12,100	156,311
<u>(1,408,258)</u>	<u>1,408,258</u>	<u>-</u>
<u>4,678,231</u>	<u>1,447,474</u>	<u>6,125,705</u>
692,292	1,354,215	2,046,507
<u>26,295,064</u>	<u>12,488,329</u>	<u>38,783,393</u>
<u>\$ 26,987,356</u>	<u>\$ 13,842,544</u>	<u>\$ 40,829,900</u>

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

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

## FUND FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		CDBG Grants	Impact Fees				
<b>ASSETS</b>							
Cash and investments	\$ 2,040,204	\$ 545,706	\$ 3,802,426	\$ -	\$ -	\$ 3,325,540	\$ 9,713,876
Restricted cash and investments	-	-	-	443,812	-	-	443,812
Accounts receivable	239,505	-	-	-	11,163	572	251,240
Intergovernmental receivables	488,028	3,700	-	-	487,531	712,388	1,691,647
Notes receivable, net	-	20,156,552	-	-	-	1,649,280	21,805,832
Due from other funds	836,269	-	-	-	-	-	836,269
Prepaid expenses	1,375	-	-	-	-	-	1,375
Land held for resale	-	-	-	-	-	104,000	104,000
Advances to other funds	542,559	-	-	-	-	-	542,559
<b>Total assets</b>	<b>\$ 4,147,940</b>	<b>\$ 20,705,958</b>	<b>\$ 3,802,426</b>	<b>\$ 443,812</b>	<b>\$ 498,694</b>	<b>\$ 5,791,780</b>	<b>\$ 35,390,610</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 312,176	\$ 1,296	\$ -	\$ -	\$ 355	\$ 293,497	\$ 607,324
Deposits	4,500	-	-	-	-	94	4,594
Unearned revenues	-	-	22,024	-	-	-	22,024
Due to other funds	-	-	-	-	498,330	337,939	836,269
Advances from other funds	-	-	542,559	-	-	-	542,559
<b>Total liabilities</b>	<b>316,676</b>	<b>1,296</b>	<b>564,583</b>	<b>-</b>	<b>498,685</b>	<b>631,530</b>	<b>2,012,770</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues	-	20,156,552	-	-	-	2,341,842	22,498,394
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>20,156,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,341,842</b>	<b>22,498,394</b>
<b>FUND BALANCES</b>							
Nonspendable:							
Prepaid expenses	1,375	-	-	-	-	-	1,375
Advances to other funds	542,559	-	-	-	-	-	542,559
Restricted for:							
Highway and streets	-	-	-	-	-	2,801,944	2,801,944
Community development	-	548,110	-	-	-	322,351	870,461
Construction projects	-	-	3,237,843	-	9	-	3,237,852
Debt service	-	-	-	443,812	-	-	443,812
Committed to:							
Emergency contingency	910,223	-	-	-	-	-	910,223
Subsequent fiscal year budget deficit	119,065	-	-	-	-	-	119,065
Assigned to:							
General government	52,116	-	-	-	-	-	52,116
Public safety	58,407	-	-	-	-	-	58,407
Culture and recreation	2,882	-	-	-	-	-	2,882
Community development	144,735	-	-	-	-	-	144,735
Unassigned	1,999,902	-	-	-	-	(305,887)	1,694,015
<b>Total fund balances</b>	<b>3,831,264</b>	<b>548,110</b>	<b>3,237,843</b>	<b>443,812</b>	<b>9</b>	<b>2,818,408</b>	<b>10,879,446</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,147,940</b>	<b>\$ 20,705,958</b>	<b>\$ 3,802,426</b>	<b>\$ 443,812</b>	<b>\$ 498,694</b>	<b>\$ 5,791,780</b>	<b>\$ 35,390,610</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, 2017**

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

Total fund balances - governmental funds	\$ 10,879,446
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,604,401
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	781,162
Deferred outflows of resources	1,542,585
Deferred inflows of resources	(325,611)
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	(15,175,209)
Net pension liability	(7,396,681)
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.	(1,715,099)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	22,498,394
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(706,032)</u>
Net position of governmental activities	<u>\$ 26,987,356</u>

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		CDBG Grants	Impact Fees				
<b>REVENUES</b>							
Taxes	\$ 2,981,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,981,041
Licenses and permits	630,140	-	-	-	-	4,450	634,590
Fines and penalties	78,536	-	-	-	-	-	78,536
Intergovernmental revenues	2,308,044	70,115	-	-	552,618	894,716	3,825,493
Use of money and property	126,779	2,036	19,834	163	-	8,536	157,348
Charges for services	121,231	3,700	156,690	-	-	359,812	641,433
Loan repayments	-	-	-	-	-	51,935	51,935
Legal settlement	544,623	-	-	-	-	-	544,623
Miscellaneous	136,400	-	25,785	-	11,163	16,390	189,738
<b>Total revenues</b>	<b>6,926,794</b>	<b>75,851</b>	<b>202,309</b>	<b>163</b>	<b>563,781</b>	<b>1,335,839</b>	<b>9,104,737</b>
<b>EXPENDITURES</b>							
Current:							
General government	746,830	-	-	-	-	-	746,830
Public safety	3,383,451	-	-	-	-	-	3,383,451
Highways and streets	-	-	-	-	-	941,884	941,884
Culture and recreation	319,547	-	-	-	-	-	319,547
Community development	510,276	22,139	-	-	-	91,472	623,887
Capital outlay	703,741	-	121,073	-	528,513	12,131	1,365,458
Debt service:							
Principal	-	-	-	1,550,754	-	157,500	1,708,254
Interest	-	-	-	246,796	-	1,453	248,249
Bond issuance costs	-	-	-	29,400	-	-	29,400
Fiscal charges	-	-	-	7,479	-	-	7,479
<b>Total expenditures</b>	<b>5,663,845</b>	<b>22,139</b>	<b>121,073</b>	<b>1,834,429</b>	<b>528,513</b>	<b>1,204,440</b>	<b>9,374,439</b>
Excess (deficiency) of revenues over (under) expenditures	1,262,949	53,712	81,236	(1,834,266)	35,268	131,399	(269,702)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	368,390	89,921	-	1,158,634	124,268	495,144	2,236,357
Transfers out	(1,038,868)	-	(1,597,701)	-	(112,070)	(895,976)	(3,644,615)
Proceeds from bonds issuance	-	-	-	1,120,000	-	-	1,120,000
<b>Total other financing sources (uses)</b>	<b>(670,478)</b>	<b>89,921</b>	<b>(1,597,701)</b>	<b>2,278,634</b>	<b>12,198</b>	<b>(400,832)</b>	<b>(288,258)</b>
Net change in fund balances	592,471	143,633	(1,516,465)	444,368	47,466	(269,433)	(557,960)
Fund balances (deficits), beginning of year, restated	3,238,793	404,477	4,754,308	(556)	(47,457)	3,087,841	11,437,406
Fund balances, end of year	\$ 3,831,264	\$ 548,110	\$ 3,237,843	\$ 443,812	\$ 9	\$ 2,818,408	\$ 10,879,446

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, 2017**

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

Net change in fund balances - total governmental funds	\$ (557,960)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:</p>	
Capital outlay	1,226,210
Depreciation expense	(797,554)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.</p>	
	(203,706)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Proceeds from long-term debt	(1,120,000)
Repayment of the principal of long-term debt	1,708,254
Amortization on bond discounts	(7,322)
<p>Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. This amount represents the change in accrued interest payable not reported in governmental funds.</p>	
	(280,633)
<p>Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	298,170
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	1,045,623
<p>Prior year unavailable revenues previously recognized in the statement of activities were recognized in the governmental funds in the current fiscal year when made available.</p>	
	(594,051)
<p>The net revenue of certain activities of the internal service funds is reported with governmental activities.</p>	
	<u>(24,739)</u>
Change in net position of governmental activities	<u>\$ 692,292</u>

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



**CITY OF CHOWCHILLA**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds				Governmental	
	Water	Solid Waste	Sewer	Other	Internal	
				Enterprise Funds	Service Funds	
				Total		
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 1,835,902	\$ 155,747	\$ 910,785	\$ 1,456,704	\$ 4,359,138	\$ 127,058
Restricted cash and investments	8,380,111	-	3,128,506	-	11,508,617	-
Accounts receivable, net	2,238,224	115,365	170,113	23,878	2,547,580	-
Intergovernmental receivables	-	-	-	8,021	8,021	-
Prepaid bond insurance	81,376	-	36,925	2,333	120,634	39,218
<b>Total current assets</b>	<b>12,535,613</b>	<b>271,112</b>	<b>4,246,329</b>	<b>1,490,936</b>	<b>18,543,990</b>	<b>166,276</b>
Noncurrent assets:						
Capital assets:						
Nondepreciable	2,187,303	-	2,043,338	607,159	4,837,800	-
Depreciable, net of accumulated depreciation	5,819,886	-	4,096,378	283,457	10,199,721	13,896
<b>Total noncurrent assets</b>	<b>8,007,189</b>	<b>-</b>	<b>6,139,716</b>	<b>890,616</b>	<b>15,037,521</b>	<b>13,896</b>
<b>Total assets</b>	<b>20,542,802</b>	<b>271,112</b>	<b>10,386,045</b>	<b>2,381,552</b>	<b>33,581,511</b>	<b>180,172</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Contributions to pension plan in current fiscal year	75,487	-	60,079	9,583	145,149	58,255
Deferred outflows of resources from pensions	157,211	4,467	128,970	24,853	315,501	121,227
<b>Total deferred outflows of resources</b>	<b>232,698</b>	<b>4,467</b>	<b>189,049</b>	<b>34,436</b>	<b>460,650</b>	<b>179,482</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	3,200,726	136,699	761,017	212	4,098,654	24,619
Accrued payroll	-	-	-	-	-	139,928
Deposits	169,783	-	-	-	169,783	-
Accrued interest	7,005	-	10,168	-	17,173	-
Unearned revenue	-	-	-	9,096	9,096	-
Compensated absences	-	-	-	-	-	241,054
Current portion of long-term debt	65,000	-	20,000	-	85,000	-
<b>Total current liabilities</b>	<b>3,442,514</b>	<b>136,699</b>	<b>791,185</b>	<b>9,308</b>	<b>4,379,706</b>	<b>405,601</b>
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	89,985
Net pension liability	811,984	-	650,444	103,752	1,566,180	620,266
Long-term debt	10,722,438	-	3,396,831	-	14,119,269	-
<b>Total noncurrent liabilities</b>	<b>11,534,422</b>	<b>-</b>	<b>4,047,275</b>	<b>103,752</b>	<b>15,685,449</b>	<b>710,251</b>
<b>Total liabilities</b>	<b>14,976,936</b>	<b>136,699</b>	<b>4,838,460</b>	<b>113,060</b>	<b>20,065,155</b>	<b>1,115,852</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources from pensions	30,769	590	25,245	4,446	61,050	23,246
<b>Total deferred inflows of resources</b>	<b>30,769</b>	<b>590</b>	<b>25,245</b>	<b>4,446</b>	<b>61,050</b>	<b>23,246</b>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	7,292,364	-	5,851,391	890,616	14,034,371	13,896
Unrestricted	(1,524,569)	138,290	(140,002)	1,407,866	(118,415)	(793,340)
<b>Total net position (deficit)</b>	<b>\$ 5,767,795</b>	<b>\$ 138,290</b>	<b>\$ 5,711,389</b>	<b>\$ 2,298,482</b>	<b>13,915,956</b>	<b>\$ (779,444)</b>
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					(73,412)	
Net position of business-type activities					<u>\$ 13,842,544</u>	

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, 2017**

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,124,416	\$ 1,364,649	\$ 1,399,441	\$ 229,085	\$ 682,456
Miscellaneous	<u>7,177</u>	<u>65,605</u>	<u>2,550</u>	<u>1,427</u>	<u>296</u>
Total operating revenues	<u>2,131,593</u>	<u>1,430,254</u>	<u>1,401,991</u>	<u>230,512</u>	<u>682,752</u>
Operating expenses:					
Personnel services	574,933	-	511,463	25,850	476,443
Materials, supplies and services	2,233,933	1,275,976	694,993	23,849	234,409
Depreciation	<u>249,224</u>	<u>-</u>	<u>167,280</u>	<u>21,032</u>	<u>1,117</u>
Total operating expenses	<u>3,058,090</u>	<u>1,275,976</u>	<u>1,373,736</u>	<u>70,731</u>	<u>711,969</u>
Operating income (loss)	<u>(926,497)</u>	<u>154,278</u>	<u>28,255</u>	<u>159,781</u>	<u>(29,217)</u>
Nonoperating revenues (expenses):					
Interest income	7,076	1,330	4,031	5,955	4
Taxes	-	-	-	8,724	-
Grants	-	5,027	-	10,000	-
Interest expense	(15,973)	-	(13,100)	-	-
Bond issuance costs	<u>(293,494)</u>	<u>-</u>	<u>(171,258)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(302,391)</u>	<u>6,357</u>	<u>(180,327)</u>	<u>24,679</u>	<u>4</u>
Income (loss) before capital contributions and transfers	<u>(1,228,888)</u>	<u>160,635</u>	<u>(152,072)</u>	<u>184,460</u>	<u>(29,213)</u>
Capital contributions	983,310	-	-	-	-
Transfers in	<u>128,790</u>	<u>-</u>	<u>-</u>	<u>1,279,468</u>	<u>-</u>
Change in net position	(116,788)	160,635	(152,072)	1,463,928	(29,213)
Net position (deficit), beginning of year	<u>5,884,583</u>	<u>(22,345)</u>	<u>5,863,461</u>	<u>834,554</u>	<u>(750,231)</u>
Net position (deficit), end of year	<u>\$ 5,767,795</u>	<u>\$ 138,290</u>	<u>\$ 5,711,389</u>	<u>\$ 2,298,482</u>	<u>\$ (779,444)</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>(1,488)</u>
Changes in net position of business-type activities				<u>\$ 1,354,215</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, 2017**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 2,127,959	\$ 1,358,426	\$ 1,364,227	\$ 223,752	\$ 5,074,364	\$ 682,456
Payments to suppliers	(213,192)	(1,221,679)	(714,707)	(29,558)	(2,179,136)	(215,899)
Payments to or received from employees	(448,515)	(64,659)	(446,126)	(73,047)	(1,032,347)	(375,160)
Other operating revenues	7,177	65,605	2,550	1,427	76,759	296
Net cash provided by (used in) operating activities	<u>1,473,429</u>	<u>137,693</u>	<u>205,944</u>	<u>122,574</u>	<u>1,939,640</u>	<u>91,693</u>
Cash flows from noncapital financing activities:						
Grants received	-	5,027	-	10,000	15,027	-
Transfer from other funds	128,790	-	-	1,279,468	1,408,258	-
Loans from other funds	-	-	-	(35,748)	(35,748)	(62,248)
Taxes received	-	-	-	703	703	-
Net cash provided by (used in) noncapital financing activities	<u>128,790</u>	<u>5,027</u>	<u>-</u>	<u>1,254,423</u>	<u>1,388,240</u>	<u>(62,248)</u>
Cash flows from capital and related financing activities:						
Proceeds from long-term debt	8,417,000	-	3,337,029	-	11,754,029	-
Principal paid	(65,058)	-	(15,198)	-	(80,256)	-
Interest paid	(16,252)	-	(3,971)	-	(20,223)	-
Bond issuance costs	(293,494)	-	(171,258)	-	(464,752)	-
Net cash provided by (used in) capital and related financing activities	<u>8,042,196</u>	<u>-</u>	<u>3,146,602</u>	<u>-</u>	<u>11,188,798</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	7,076	1,330	4,031	-	12,437	4
Rents received	-	-	-	5,955	5,955	-
Net cash provided by (used in) investing activities	<u>7,076</u>	<u>1,330</u>	<u>4,031</u>	<u>5,955</u>	<u>18,392</u>	<u>4</u>
Net increase (decrease) in cash and cash equivalents	9,651,491	144,050	3,356,577	1,382,952	14,535,070	29,449
Cash and cash equivalents, beginning of year	<u>564,522</u>	<u>11,697</u>	<u>682,714</u>	<u>73,752</u>	<u>1,332,685</u>	<u>97,609</u>
Cash and cash equivalents, end of year	<u>\$ 10,216,013</u>	<u>\$ 155,747</u>	<u>\$ 4,039,291</u>	<u>\$ 1,456,704</u>	<u>\$ 15,867,755</u>	<u>\$ 127,058</u>

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, 2017  
(Continued)**

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ (926,497)	\$ 154,278	\$ 28,255	\$ 159,781	\$ (584,183)	\$ (29,217)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	249,224	-	167,280	21,031	437,535	1,117
(Increase) decrease in:						
Accounts receivable	(6,853)	(6,223)	(35,214)	(5,332)	(53,622)	555
Prepaid expenses	(81,376)	-	(36,925)	-	(118,301)	3,738
Deferred outflows of resources from pensions	(108,031)	10,251	(79,369)	(3,116)	(180,265)	(79,703)
Increase (decrease) in:						
Accounts payable and other liabilities	2,102,117	54,297	17,211	(5,709)	2,167,916	19,407
Deposits	10,396	-	-	-	10,396	-
Compensated absences	-	-	-	-	-	35,698
Net pension liability	252,396	(69,197)	161,987	(36,331)	308,855	157,164
Deferred inflows of resources from pension	(17,947)	(5,713)	(17,281)	(7,750)	(48,691)	(17,066)
Net cash provided by (used in) operating activities	<u>\$ 1,473,429</u>	<u>\$ 137,693</u>	<u>\$ 205,944</u>	<u>\$ 122,574</u>	<u>\$ 1,939,640</u>	<u>\$ 91,693</u>
Schedule of Non-Cash Capital and Related Financing Activities:						
Contributions of capital assets	<u>\$ 983,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
<b>ASSETS</b>		
Cash and investments (in City investment pool)	\$ 1,779,523	\$ 153,587
Restricted cash with fiscal agents	3,568,504	7,340
Accounts receivable (net)	40,502	43,750
Prepaid expenses	-	20,003
Prepaid bond insurance	-	56,202
Land held for resale	-	338,000
Capital assets:		
Nondepreciable	-	256,903
Depreciable, net of accumulated depreciation	-	1,360,554
	<u>5,388,529</u>	<u>2,236,339</u>
Total assets	<u>\$ 5,388,529</u>	<u>\$ 2,236,339</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 32
Accrued interest	-	74,647
Long-term debt due within one year	-	260,000
Long-term debt due in more than one year	-	6,173,508
Agency obligations	<u>5,388,529</u>	<u>-</u>
	<u>\$ 5,388,529</u>	<u>6,508,187</u>
Total liabilities	<u>\$ 5,388,529</u>	<u>6,508,187</u>
<b>NET POSITION</b>		
Held in trust for Successor Agency activities		<u>\$ (4,271,848)</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, 2017**

	<u>Successor Agency Trust Fund</u>
<b>ADDITIONS</b>	
Taxes	\$ 767,992
Use of money and property	1,379
Miscellaneous	<u>128</u>
Total additions	<u>769,499</u>
<b>DEDUCTIONS</b>	
Administrative expenses	253,501
Interest	252,976
Depreciation	29,002
Bond issuance costs	253,079
(Gain) loss on sale of assets	<u>15,126</u>
Total deductions	<u>803,684</u>
Change in net position	(34,185)
Net position, beginning of year, restated	<u>(4,237,663)</u>
Net position (deficit), ending of year	<u>\$ (4,271,848)</u>

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

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

## NOTES TO THE BASIC FINANCIAL STATEMENTS



## CITY OF CHOWCHILLA

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

#### **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, 2017**

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

**Basis of Presentation**

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

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

The *Statement of Activities* presents a comparison between direct expense and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include: 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Basis of Presentation** (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the government reports the following fund types:

*Internal Service Funds:*

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

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

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

## CITY OF CHOWCHILLA

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

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

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

###### *Fiduciary Funds:*

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

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

##### **Measurement Focus, Basis of Accounting**

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

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

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

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

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

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

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

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

## CITY OF CHOWCHILLA

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017

#### **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 represents funds held by various trustees from proceeds of the issuance of bonds in order to establish required reserve funds and to pay bond issuance costs per the respective trust agreements.

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

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

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

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

##### **Restricted Assets**

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

##### **Land Held for Resale**

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

##### **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, 2017**

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

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

**Notes Receivable**

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

**Capital Assets**

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

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

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

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

**Compensated Absences**

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

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Long-term Obligations**

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

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

**Pensions**

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

**Interest Payable**

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

**Unearned Revenue**

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

**Unavailable Revenue**

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Transfers**

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

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

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

**Net Position**

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

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

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

**Fund Balances**

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

**Nonspendable Fund Balance**

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

**Restricted Fund Balance**

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



**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Fund Balances** (Continued)

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

**Risk Management**

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

**Use of Estimates**

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Property Tax Calendar**

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

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

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 14,200,072
Restricted cash and investments	11,952,429
Statement of Fiduciary Net Position:	
Cash and investments	1,933,110
Restricted cash and investments	<u>3,575,844</u>
Total cash and investments	<u>\$ 31,661,455</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 2,200
Deposits with financial institutions	5,034,640
Investments	<u>26,624,615</u>
Total cash and investments	<u>\$ 31,661,455</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Deposits**

The carrying amount of the City's cash deposits was \$5,034,640 at June 30, 2017. Bank balances were \$5,121,400, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

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

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

**Disclosure Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
State investment pool	\$ 11,096,338	\$ 11,096,338	\$ -	\$ -	\$ -
Held by bond trustee:					
Treasury Obligation Funds	4,012,320	4,012,320	-	-	-
Money Market Funds	11,515,957	11,515,957	-	-	-
Total	<u>\$ 26,624,615</u>	<u>\$ 26,624,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Disclosure Relating to Credit Risk**

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

Investment Type	Total	Ratings as of Year-End		
		AAAm	AA	Not Rated
State investment pool	\$ 11,096,338	\$ -	-	\$ 11,096,338
Held by bond trustee:				
Treasury Obligation Funds	4,012,320	4,012,320	-	-
Money Market Funds	<u>11,515,957</u>	<u>-</u>	<u>11,515,957</u>	<u>-</u>
Total	<u>\$ 26,624,615</u>	<u>\$ 4,012,320</u>	<u>\$ 11,515,957</u>	<u>\$ 11,096,338</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	\$ 11,515,957

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

\$8,380,111 of cash and investments (including amounts held by bond trustee) reported in the Water Fund are held in the form of the above-described Money Market Funds.

\$3,128,506 of cash and investments (including amounts held by bond trustee) reported in the Sewer Fund are held in the form of the above-described Money Market Funds.

\$3,568,504 of cash and investments (including amounts held by bond trustee) reported in the Agency Fund are held in the form of the above-described Treasury Obligation Fund.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Investment Valuation**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 inputs
Debt securities:				
Treasury Obligation Fund	\$ 4,012,320	\$ 4,012,320	\$ -	\$ -
	4,012,320	<u>\$ 4,012,320</u>	<u>\$ -</u>	<u>\$ -</u>
Money Market Funds	11,515,957			
State Investment Pool	<u>11,096,338</u>			
	<u>\$ 26,624,615</u>			

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

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of \$11,096,338. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – RECEIVABLES**

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

	Governmental Activities				
	General	CDBG Grants Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables:					
Accounts receivable	\$ 239,505	\$ -	\$ 11,163	\$ 572	\$ 251,240
Intergovernmental receivables	488,028	3,700	487,531	712,388	1,691,647
Notes receivable	395,000	20,156,552	-	1,710,446	22,261,998
Less: allowance for for uncollectibles	<u>(395,000)</u>	<u>-</u>	<u>-</u>	<u>(61,166)</u>	<u>(456,166)</u>
Net receivables	<u>\$ 727,533</u>	<u>\$ 20,160,252</u>	<u>\$ 498,694</u>	<u>\$ 2,362,240</u>	<u>\$ 23,748,719</u>

	Business-Type Activities - Enterprise Funds					Total
	Water	Solid Waste	Sewer	Nonmajor		
				Storm Drain	Airport	
Receivables:						
Accounts receivable	\$ 2,259,724	\$ 120,365	\$ 176,113	\$ 24,880	\$ 798	\$ 2,581,880
Intergovernmental receivables	-	-	-	-	8,021	8,021
Less: allowance for for uncollectibles	<u>(21,500)</u>	<u>(5,000)</u>	<u>(6,000)</u>	<u>(1,800)</u>	<u>-</u>	<u>(34,300)</u>
Net receivables	<u>\$ 2,238,224</u>	<u>\$ 115,365</u>	<u>\$ 170,113</u>	<u>\$ 23,080</u>	<u>\$ 8,819</u>	<u>\$ 2,555,601</u>

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

	Governmental Activities	Business-Type Activities	Total
Accounts receivable, net	\$ 251,240	\$ 2,547,580	\$ 2,798,820
Intergovernmental receivables	1,691,647	8,021	1,699,668
Notes receivable, net	<u>21,805,832</u>	<u>-</u>	<u>21,805,832</u>
	<u>\$ 23,748,719</u>	<u>\$ 2,555,601</u>	<u>\$ 26,304,320</u>

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

Notes receivable in CDBG Grants Special Revenue Fund	\$ 20,156,552
Notes receivable in Home Investment Program Grants Special Revenue Fund	1,445,172
Notes receivable in EDBG Grants Special Revenue Fund	126,674
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>77,434</u>
Total	<u>\$ 21,805,832</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – INTERNAL BALANCES**

Due to and due from balances at June 30, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 836,269	\$ -
Capital Projects Fund	-	498,330
Nonmajor Funds:		
Transit System Special Revenue Fund	-	292,380
Low and Moderate Low Income Housing Asset Fund	-	45,559
Total	<u>\$ 836,269</u>	<u>\$ 836,269</u>

The “due from” balances of \$836,269 in the funds listed above represents loans made to other funds to cover operating cash deficit.

Advances to and due from balances at June 30, 2017 are as follows:

	<u>Advances To</u>	<u>Advances From</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 542,559	\$ -
Impact Fees Special Revenue Fund	-	542,559
Total	<u>\$ 542,559</u>	<u>\$ 542,559</u>

The balance of \$542,559 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, 2017**

**NOTE 5 – TRANSFERS**

Transfers for the year ended June 30, 2017 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 368,390 (2)	\$ 1,038,868 (1)
CDBG Grants Special Revenue Fund	89,921 (4)	-
Impact Fees Special Revenue Fund	-	1,597,701 (2),(5)
Debt Service Fund	1,158,634 (1),(3)	-
Capital Projects Fund	124,268 (3)	112,070 (3)
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	216,363 (3)
RSTP Special Revenue Fund	-	69,284 (3)
Street and Road Fund (LTF) Special Revenue Fund	433,648 (3)	150,538 (3)
Measure T Special Revenue Fund	1,105	161,084 (3)
Maintenance Assessment District Special Revenue Fund	-	128,790 (6)
Public Safety Grants Special Revenue Fund	-	19,605 (2)
HOME Investment Partnership Program Special Revenue Fund	(4) 60,391	-
EDBG Grant Special Revenue Fund	-	150,312 (4)
<b>Enterprise Funds:</b>		
Major Funds:		
Water Enterprise Fund	128,790 (6)	-
Nonmajor Funds:		
Storm Drain Enterprise Fund	1,249,175 (5)	-
Airport Enterprise Fund	<u>30,293 (1)</u>	<u>-</u>
 Total	 <u>\$ 3,644,615</u>	 <u>\$ 3,644,615</u>

- (1) The General Fund transferred \$1,000 to the Airport for assistance in operational costs and \$29,293 to recover expenses incurred in previous years and offset negative cash balance. \$1,008,452 was transferred to the Debt Service Fund for the debt service payments and partial refunding of the 2005 Civic Center Bond.
- (2) The Public Safety Grants Fund transferred \$19,605 to the General Fund to close out the fund. The Police Impact Fees fund transferred \$112,276 and the Fire Impact Fees Fund transferred \$236,250 to the General Fund for capital replacement of vehicles, equipment and machinery.
- (3) The Gas Tax Fund transferred \$258,566 to the Street and Roads (LTF) Fund for street maintenance and operational costs and \$7,767 was transferred to cover project specific costs associated with street and road improvements. The RSTP Fund transferred \$28,479 to the Street and Roads (LTF) Fund for street maintenance and operational costs. Streets and Roads (LTF) transferred \$150,169 to the Debt Service Fund for the PFA Streets debt service payment. The Measure T Fund Transferred \$161,084 to the Street and Roads (LTF) Fund for street maintenance and operational costs.
- (4) EDBG Grant Fund transferred \$24,770 to the Community Development Block Grant Fund to cover costs associated with grant maintenance service. \$54,092 was transferred from the EDBG Grant Fund to the Home Investment Partnership Program Fund to cover contracted services for grant maintenance. \$71,450 was transferred from the EDBG Grant Fund to the Community Development Block Grant to establish residual receipts for a loan receivable.



**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 – TRANSFERS (Continued)**

- (5) The Impact Fees Fund transferred \$1,249,175 to the Storm Drain Fund for capital replacement revenue previously collected and recorded in the Impact Fees Fund that management determined more appropriately belonged in the Storm Drain Fund.
- (6) The Maintenance Assessment District Fund transferred \$128,790 to the Water Fund to reimburse the Water Fund for money due from prior year water fees.

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended June 30, 2017 was as follows:

**Governmental Activities:**

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 563,098	\$ -	\$ (15,651)	\$ 547,447
Construction in progress	523,751	528,412	(188,055)	864,108
Total capital assets, not being depreciated	<u>1,086,849</u>	<u>528,412</u>	<u>(203,706)</u>	<u>1,411,555</u>
Capital assets, being depreciated:				
Land improvements	1,355,230	-	-	1,355,230
Buildings and improvements	6,853,476	8,658	-	6,862,134
Machinery, equipment and vehicles	3,276,069	689,140	-	3,965,209
Infrastructure	15,789,818	-	-	15,789,818
Total capital assets, being depreciated	<u>27,274,593</u>	<u>697,798</u>	<u>-</u>	<u>27,972,391</u>
Less accumulated depreciation for:				
Land improvements	(839,877)	(33,535)	-	(873,412)
Buildings and improvements	(2,272,386)	(134,850)	-	(2,407,236)
Machinery, equipment and vehicles	(2,098,013)	(234,672)	-	(2,332,685)
Infrastructure	(6,756,702)	(395,614)	-	(7,152,316)
Total accumulated depreciation	<u>(11,966,978)</u>	<u>(798,671)</u>	<u>-</u>	<u>(12,765,649)</u>
Total capital assets being depreciated, net	<u>15,307,615</u>	<u>(100,873)</u>	<u>-</u>	<u>15,206,742</u>
Governmental activities capital assets, net	<u>\$ 16,394,464</u>	<u>\$ 427,539</u>	<u>\$ (203,706)</u>	<u>\$ 16,618,297</u>

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

*Governmental Activities:*

General government	\$ 95,825
Public safety	169,751
Highways and streets	480,183
Culture and recreation	51,795
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,117</u>
Total depreciation expense - governmental activities	<u>\$ 798,671</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

Capital assets activity of the business-type activities ended June 30, 2017 was as follows:

**Business-Type Activities**

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 1,947,728	\$ -	\$ -	\$ 1,947,728
Construction in progress	112,829	2,777,243	-	2,890,072
Total capital assets, not being depreciated	<u>2,060,557</u>	<u>2,777,243</u>	-	<u>4,837,800</u>
Capital assets, being depreciated:				
Land improvements	1,253,762	-	-	1,253,762
Buildings and improvements	2,646,600	-	-	2,646,600
Machinery, equipment, and vehicles	614,982	-	-	614,982
Infrastructure	14,421,235	-	-	14,421,235
Total capital assets, being depreciated	<u>18,936,579</u>	-	-	<u>18,936,579</u>
Less accumulated depreciation for:				
Land improvements	(634,322)	(41,665)	-	(675,987)
Buildings and improvements	(1,304,489)	(51,804)	-	(1,356,293)
Machinery, equipment, and vehicles	(330,894)	(39,869)	-	(370,763)
Infrastructure	(6,029,617)	(304,198)	-	(6,333,815)
Total accumulated depreciation	<u>(8,299,322)</u>	<u>(437,536)</u>	-	<u>(8,736,858)</u>
Total capital assets being depreciated, net	<u>10,637,257</u>	<u>(437,536)</u>	-	<u>10,199,721</u>
Business-type activities capital assets, net	<u>\$ 12,697,814</u>	<u>\$ 2,339,707</u>	<u>\$ -</u>	<u>\$ 15,037,521</u>

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

*Business-Type Activities:*

Water	\$ 249,224
Sewer	167,280
Storm drain	6,349
Airport	14,683
Total depreciation expense - business-type activities	<u>\$ 437,536</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2017:

	June 30, 2016 (Restated)	Additions	Reductions	June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 640,212	\$ -	\$ (113,754)	\$ 526,458	\$ 118,978
2005 Civic Center Bond	4,815,000	-	(1,250,000)	3,565,000	-
2016 Civic Center Bond	-	1,120,000	(187,000)	933,000	-
Measure T Interprogram Loan	472,500	-	(157,500)	315,000	157,500
State of California NSP Loan	9,913,215	-	-	9,913,215	-
Less: Discounts	(81,798)	-	4,334	(77,464)	-
Compensated absences	295,341	269,464	(233,766)	331,039	241,054
<b>Total Governmental Activities Long-Term Debt</b>	<b>\$ 16,054,470</b>	<b>\$ 1,389,464</b>	<b>\$ (1,937,686)</b>	<b>\$ 15,506,248</b>	<b>\$ 517,532</b>
<b>Business-Type Activities:</b>					
2001 USDA Sewer Bond	\$ 95,000	\$ -	\$ (15,000)	\$ 80,000	\$ 20,000
2001 Water Certificates of Participation	405,000	-	(65,000)	340,000	65,000
2017 Series Water Bonds	-	8,160,000	-	8,160,000	-
2017 Series Wastewater Bonds	-	3,310,000	-	3,310,000	-
State Water Revolving Loan	543,151	1,149,351	-	1,692,502	-
Add: Premiums	-	622,023	(256)	621,767	-
<b>Total Business-Type Activities Long-Term Debt</b>	<b>\$ 1,043,151</b>	<b>\$ 13,241,374</b>	<b>\$ (80,256)</b>	<b>\$ 14,204,269</b>	<b>\$ 85,000</b>

Long-term debt payable at June 30, 2017 is comprised of the following individual issues:

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

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

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

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 118,978	\$ 28,720
2019	129,146	21,090
2020	134,187	12,992
2021	144,147	4,433
<b>Total</b>	<b>\$ 526,458</b>	<b>\$ 67,235</b>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

Long-term debt payable at June 30, 2017 is comprised of the following individual issues:

**2005 Civic Center Bond**

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

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 158,331
2019	-	158,331
2020	-	158,331
2021	-	158,331
2022	-	158,331
2023-2027	1,145,000	715,203
2028-2032	1,415,000	451,775
2033-2035	<u>1,005,000</u>	<u>121,388</u>
Total	<u>\$ 3,565,000</u>	<u>\$ 2,080,021</u>

**2016 Refunding of 2005 Civic Center Bond**

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

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 9,563
2019	179,000	17,292
2020	186,000	13,551
2021	187,000	9,727
2022	188,000	5,884
2023	<u>193,000</u>	<u>1,978</u>
Total	<u>\$ 933,000</u>	<u>\$ 57,995</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Measure T Interprogram Loan**

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

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

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 157,500	\$ -
2019	157,500	-
Total	<u>\$ 315,000</u>	<u>\$ -</u>

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

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development (DHCD). The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of the AMI households in the City. The entire outstanding principal balance plus all accrued but unpaid interest is due in full on the 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, 2017 was \$9,913,215. All loan payments will be generated by the operation of the housing development by the private developer which will pass through the City and back to the State.

**2001 USDA Sewer Bond**

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

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

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 20,000	\$ 3,063
2019	20,000	2,188
2020	20,000	1,313
2021	<u>20,000</u>	<u>436</u>
Total	<u>\$ 80,000</u>	<u>\$ 7,000</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**2001 Water Certificate of Participation**

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

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

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 65,000	\$ 13,453
2019	65,000	10,609
2020	70,000	7,656
2021	70,000	4,594
2022	<u>70,000</u>	<u>1,531</u>
Total	<u>\$ 340,000</u>	<u>\$ 37,843</u>

**Water Revenue Bonds 2017 Series**

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

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

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ -	\$ 333,533
2019	-	361,663
2020	-	361,663
2021	10,000	361,403
2022	25,000	360,720
2023-2027	140,000	1,791,179
2028-2032	620,000	1,722,042
2033-2037	1,140,000	1,532,469
2038-2042	2,355,000	1,119,195
2043-2047	<u>3,870,000</u>	<u>338,525</u>
Total	<u>\$ 8,160,000</u>	<u>\$ 8,282,392</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Wastewater Revenue Bonds 2017 Series**

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

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

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ -	\$ 141,388
2019	-	143,380
2020	95,000	141,865
2021	100,000	140,143
2022	70,000	137,931
2023-2027	180,000	666,655
2028-2032	335,000	616,706
2033-2037	530,000	528,446
2038-2042	840,000	386,376
2043-2047	<u>1,160,000</u>	<u>168,086</u>
Total	<u>\$ 3,310,000</u>	<u>\$ 3,070,976</u>

**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. As of June 30, 2017, the City has a balance of \$1,692,502 with no payment due as the project has not been completed.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Special Assessment District Debt**

On August 26, 2003, the City issued \$6,595,000 of 2003-1 Limited Obligation Refunding Bonds (the “2003 Local Obligations”) pursuant to the provisions of the Improvement Bond Act of 1915 to refund the outstanding 1994-1 Local Obligations Series A and B (collectively, the “1994-1 Local Obligations”), for the purpose of creating annual debt savings. The 2003 Local Obligations are secured by assessments levied against private property owners in the Greenhills Assessment District No. 2003-1. The Authority will receive the reserve fund upon final maturity. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City’s liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. During the year ended June 30, 2017 the 2003 Local Obligation bonds were fully refunded by the 2017 Refunding Revenue Bonds (Reassessment District No. 2003-1 Greenhills).

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

On April 30, 2014, the City issued \$3,962,800 of 2013-1 Limited Obligation Refunding Bonds (the “2013 Local Obligations”) pursuant to the provisions of the Improvement Bond Act of 1915 to refund the outstanding 2002-1 Local Obligations Improvement Bonds (the “2002-1 Local Obligations”), for the purpose of creating annual debt savings. The 2013 Local Obligations are fully secured by the unpaid special assessments levied on privately owned properties within the District. These 2013 Local Obligations have no governmental commitment. The 2013 Local Obligations are not secured by the general taxing power of the City, the State of California, or any political subdivision of the State. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City’s liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2017 is \$3,389,828.

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, 2017 is \$7,235,000.

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



**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

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

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

	CDBG Grants Special Revenue	Other Governmental Funds	Total
Intergovernmental	\$ -	\$ 692,562	\$ 692,562
Notes	<u>20,156,552</u>	<u>1,649,280</u>	<u>21,805,832</u>
Total	<u>\$ 20,156,552</u>	<u>\$ 2,341,842</u>	<u>\$ 22,498,394</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, 2017**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plans**

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

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

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 63	52 to 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.069%	7.159%	6.555%
	Safety (Police) 1st Tier	Safety (Police) 2nd Tier	Safety (Police) PEPRA
Hire date	Prior to January 1, 2013	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 55	2% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 to 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	1.426 % to 2.0%	1.426% to 2.0%
Required employee contribution rates	9.000%	7.000%	9.500%
Required employer contribution rates	17.689%	12.055%	9.418%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$544,967 for the fiscal year ended June 30, 2017.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**A. General Information about the Pension Plan (Continued)**

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

The City’s contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2017 were \$848,864.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$9,583,127.

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, 2016, 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, 2015, rolled forward to June 30, 2016, 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, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.1170%
Proportion - June 30, 2016	0.1107%
Change - Increase (Decrease)	-0.0063%

For the year ended June 30, 2017, the City recognized pension expense of \$826,690. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 984,566	\$ -
Changes of assumptions	-	293,038
Differences between actual and expected experience	5,599	25,235
Net differences between projected and actual earnings on plan investments	1,484,327	-
Change in employer's proportion	345,632	67,972
Differences between the employer's actual contributions and the employer's proportionate share of contributions	143,755	23,662
Total	<u>\$ 2,963,879</u>	<u>\$ 409,907</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

\$984,566 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, 2018. 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	
2018	\$ 272,279
2019	235,292
2020	676,473
2021	385,362
2022	-
Thereafter	-

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
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 used was developed based on CalPERS specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Discount Rate**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(-0.55%)	(-1.05%)
Total	<u>100.00%</u>		

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**D. Discount Rate (Continued)**

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

<u>Discount Rate -1%</u> 6.65%	<u>Current Discount</u> Rate	<u>Discount Rate +1%</u> 8.65%
\$ 13,744,308	\$ 9,583,127	\$ 6,152,984

**E. Pension Plan Fiduciary Net Position**

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

**F. Payable to the Pension Plan**

The City had an outstanding amount of contributions of \$10,531 due to the pension plan required for the year ended June 30, 2017.

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 – RISK MANAGEMENT**

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

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

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

The financial position results of operations of the Authority are as follows for June 30, 2017:

Total assets	\$ 100,984,219
Total liabilities	<u>83,009,648</u>
Total net position	<u>\$ 17,974,571</u>
Revenues	\$ 44,757,809
Expenses	<u>42,218,070</u>
Change in net position	<u>\$ 2,539,739</u>

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – DEFICIT IN FUND EQUITY**

**Nonmajor Governmental Funds**

Transit System Special Revenue Fund – A deficit in fund balance at June 30, 2017 in the amount of \$305,887 is due solely to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as unavailable revenue in the financial statements.

**Internal Service Funds**

Fleet Maintenance Internal Service Fund – A deficit in net position at June 30, 2017 in the amount of \$160,334 in the fund is primarily due to the net pension liability of \$213,598 recorded by the City at June 30, 2017. A reduction in the net pension liability in future years will assist in eliminating the deficit.

Information Technology Internal Service Fund – A deficit in net position at June 30, 2017 in the amount of \$275,359 in the fund is primarily due to the net pension liability of \$406,668 recorded by the City at June 30, 2017.

Employee Benefits Internal Service Fund – A deficit in net position at June 30, 2017, in the amount of \$343,751, exists because the fund was established on a pay-as-you go basis for the purpose of funding the annual accrued leave liability. As employees are paid for their accumulated leave in the future, the home program of the employee makes a transfer to the Employee Benefit Fund to offset the expense.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Federal Awards and Grants**

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

**Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2017, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted	Committed	Assigned
	Fund Balance	Fund Balance	Fund Balance
General Fund	\$ -	\$ -	\$ 258,140
Other governmental funds	228,332	-	-



**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

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

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

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

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

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

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

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

**Cash and Investments**

A reconciliation of the Successor Agency Trust Fund’s cash and investment balances as of June 30, 2016 is as follows:

Cash on hand	\$ 153,587
Cash with fiscal agent	<u>7,340</u>
Total cash	<u>\$ 160,927</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Capital Assets**

Capital assets reported in the Successor Agency Trust Fund at June 30, 2017 were comprised of the following:

**Governmental Activities:**

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 272,029	\$ -	\$ (15,126)	\$ 256,903
Total capital assets, not being depreciated	<u>272,029</u>	<u>-</u>	<u>(15,126)</u>	<u>256,903</u>
Capital assets, being depreciated:				
Buildings and improvements	1,450,103	-	-	1,450,103
Total capital assets, being depreciated	<u>1,450,103</u>	<u>-</u>	<u>-</u>	<u>1,450,103</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,547)	(29,002)	-	(89,549)
Total accumulated depreciation	<u>(60,547)</u>	<u>(29,002)</u>	<u>-</u>	<u>(89,549)</u>
Total capital assets being depreciated, net	<u>1,389,556</u>	<u>(29,002)</u>	<u>-</u>	<u>1,360,554</u>
Governmental activities capital assets, net	<u>\$ 1,661,585</u>	<u>\$ (29,002)</u>	<u>\$ (15,126)</u>	<u>\$ 1,617,457</u>

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2017 was comprised of the following:

	June 30, 2016	Additions	Reductions	June 30, 2017	Amounts Due Within One Year
2005 RDA Bond	\$ 6,810,000	\$ -	\$ (6,810,000)	\$ -	\$ -
2016 Successor Agency Tax Refunding Bond	-	6,190,000	-	6,190,000	260,000
Less: Discounts	(37,505)	-	37,505	-	-
Add: Premiums	-	243,508	-	243,508	-
Total	<u>\$ 6,772,495</u>	<u>\$ 6,433,508</u>	<u>\$ (6,772,495)</u>	<u>\$ 6,433,508</u>	<u>\$ 260,000</u>

**2005 RDA Bond**

In 2005, the City issued Tax Allocation Bonds in the aggregate principal amount of \$7,945,000 to finance the acquisition and construction of public capital improvements within the Redevelopment Project Area. The original amount of the note (\$7,945,000) was secured by a pledge of tax revenues consisting of tax increment payments to be received by the RDA. Semiannual payments range from \$12,000 to \$492,000 and are payable each February 1 and August 1 through 2037. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the 2005 RDA Bond of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. During the year ended June 30, 2017 the 2005 RDA Bond was refunded by the 2016 Refunding

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

(Continued)

**2016 Successor Agency Tax Allocation Refunding Bonds**

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

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

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 260,000	\$ 177,756
2019	240,000	172,756
2020	240,000	165,556
2021	250,000	155,756
2022	260,000	146,856
2023-2027	1,430,000	591,756
2028-2032	1,685,000	337,094
2033-2037	<u>1,825,000</u>	<u>125,316</u>
Total	<u>\$ 6,190,000</u>	<u>\$ 1,872,847</u>

**Insurance**

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 – FUND CONSOLIDATION AND RECLASSIFICATION**

**Community Facilities Development Agency Fund**

During the current fiscal year, management determined that the Community Facilities Development Fund was previously incorrectly classified as a capital projects fund. Rather, due to the nature of the activity of this fund and the City's role in only maintaining its financial records, it would more appropriately be classified as a fiduciary fund. Accordingly, all assets in this fund are now being reported in the City's Agency Fund. The result of this new classification was a decrease in the opening fund balance of the Capital Project Fund of \$4,068,949 and a decrease of the opening net position of the governmental activities of \$3,422,361.

**Impact Fees Special Revenue Fund**

During the current fiscal year, management determined that the City's impact fees would be more appropriately classified as special revenue funds rather than as capital projects funds, of which they had previously been reported. Additionally, management consolidated all of the impact fees funds into one major special revenue fund because it determined the consolidation would provide better information to the users of the financial statements. The following illustrates the opening fund balance for the previous impact fees funds that were consolidated into the new Impact Fees Fund:

Police Impact Fees	\$ 362,933
Fire Impact Fees	544,663
Streets and Roads Impact Fees	1,125,789
Signalization Impact Fees	384,504
Wastewater System Capital Impact Fees	720,957
Park Development Impact Fees	8,758
Water System Capital Impact Fees	211,473
Storm Drain Capital Impact Fees	1,939,929
Public Building Impact Fee	<u>(544,730)</u>
Opening fund balance at July 1, 2016	<u>\$ 4,754,276</u>

**Capital Projects Fund**

During the current fiscal year, the City decided to consolidate its remaining capital projects funds into one fund for financial statement purposes and designate the new fund as a major fund. Management determined that this consolidation would provide more clear information to the users of the financial statements regarding ongoing governmental capital projects. The opening fund balance of this new fund at July 1, 2016 was (\$47,457).

**Home Investment Partnership Program Special Revenue Fund**

During the current fiscal year, management decided to consolidate all of its funds that include resources related to the Home Investment Partnership Program (HOME) grants into one fund for financial statement presentation purposes. Management determined that consolidating these funds would provide clearer information to the users of the financial statements regarding its HOME program activity. The following illustrates the opening fund balance for the previous HOME related special revenue funds:

Home Investments Program Grants	\$ 67,738
HOME Grants	<u>(4,844)</u>
Opening fund balance at July 1, 2016	<u>\$ 62,894</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

Beginning net position of the Governmental Activities and fund balance in the Capital Projects Fund have been restated to record prior period adjustments as presented in the reconciliation below:

<u>Description</u>	<u>Government- Wide</u>	<u>Governmental Funds</u>
	<u>Governmental Activities</u>	<u>Capital Projects Fund</u>
Beginning fund balance	\$ 22,900,543	\$ 4,021,492
Prior period adjustments:		
Overstatement of unavailable revenues	-	27,840
Community Facilities District Fund reclassification	<u>3,394,521</u>	<u>(4,096,789)</u>
Total prior period adjustments	<u>3,394,521</u>	<u>(4,068,949)</u>
Beginning fund balance, as restated	<u>\$ 26,295,064</u>	<u>\$ (47,457)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,800,860	\$ 2,800,860	\$ 2,981,041	\$ 180,181
Licenses and permits	551,915	564,015	630,140	66,125
Fines and penalties	29,200	29,200	78,536	49,336
Intergovernmental	2,240,268	2,323,526	2,308,044	(15,482)
Use of money and property	92,900	120,900	126,779	5,879
Charges for services	131,200	133,100	121,231	(11,869)
Legal settlement	514,000	514,000	544,623	30,623
Miscellaneous	<u>54,885</u>	<u>54,885</u>	<u>136,400</u>	<u>81,515</u>
Total revenues	<u>6,415,228</u>	<u>6,540,486</u>	<u>6,926,794</u>	<u>386,308</u>
<b>EXPENDITURES</b>				
Current:				
General government	865,185	943,281	746,830	196,451
Public safety	3,847,915	3,741,599	3,383,451	358,148
Culture and recreation	350,933	356,757	319,547	37,210
Community development	495,623	744,482	510,276	234,206
Capital outlay	<u>118,000</u>	<u>846,900</u>	<u>703,741</u>	<u>143,159</u>
Total expenditures	<u>5,677,656</u>	<u>6,633,019</u>	<u>5,663,845</u>	<u>969,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>737,572</u>	<u>(92,533)</u>	<u>1,262,949</u>	<u>1,355,482</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	101,800	562,810	368,390	(194,420)
Transfers out	<u>(369,338)</u>	<u>(1,038,876)</u>	<u>(1,038,868)</u>	<u>8</u>
Total other financing sources (uses)	<u>(267,538)</u>	<u>(476,066)</u>	<u>(670,478)</u>	<u>(194,412)</u>
Net change in fund balance	<u>\$ 470,034</u>	<u>\$ (568,599)</u>	592,471	<u>\$ 1,161,070</u>
Fund balances, beginning			<u>3,238,793</u>	
Fund balances, ending			<u>\$ 3,831,264</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 70,115	\$ 1,200	\$ 70,115	\$ 68,915
Use of money and property	500	500	2,036	1,536
Charges for services	<u>3,700</u>	<u>3,700</u>	<u>3,700</u>	<u>-</u>
Total revenues	<u>74,315</u>	<u>5,400</u>	<u>75,851</u>	<u>70,451</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>21,585</u>	<u>23,160</u>	<u>22,139</u>	<u>1,021</u>
Total expenditures	<u>221,585</u>	<u>223,160</u>	<u>22,139</u>	<u>201,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,270)</u>	<u>(217,760)</u>	<u>53,712</u>	<u>271,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>18,471</u>	<u>89,921</u>	<u>71,450</u>
Total other financing sources (uses)	<u>-</u>	<u>18,471</u>	<u>89,921</u>	<u>71,450</u>
Net change in fund balance	<u>\$ (147,270)</u>	<u>\$ (199,289)</u>	143,633	<u>\$ 342,922</u>
Fund balances, beginning			<u>404,477</u>	
Fund balances, ending			<u>\$ 548,110</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ 8,275	\$ 8,275	\$ 19,834	\$ 11,559
Charges for services	36,400	160,400	156,690	(3,710)
Miscellaneous	<u>5,100</u>	<u>27,100</u>	<u>25,785</u>	<u>(1,315)</u>
Total revenues	<u>49,775</u>	<u>195,775</u>	<u>202,309</u>	<u>6,534</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	<u>536,250</u>	<u>446,000</u>	<u>121,073</u>	<u>324,927</u>
Total expenditures	<u>536,750</u>	<u>446,500</u>	<u>121,073</u>	<u>325,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(486,975)</u>	<u>(250,725)</u>	<u>81,236</u>	<u>331,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>(361,050)</u>	<u>(1,597,701)</u>	<u>(1,236,651)</u>
Total other financing sources (uses)	<u>-</u>	<u>(361,050)</u>	<u>(1,597,701)</u>	<u>(1,236,651)</u>
Net change in fund balance	<u>\$ (486,975)</u>	<u>\$ (611,775)</u>	<u>(1,516,465)</u>	<u>\$ (904,690)</u>
Fund balances, beginning			<u>4,754,308</u>	
Fund balances, ending			<u>\$ 3,237,843</u>	

**CITY OF CHOWCHILLA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

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

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

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

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City did not incur any expenditures in excess of appropriations for the year ended June 30, 2016.

**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, 2017**

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

**Notes to Schedule:**

**Change in Benefit Terms** - None

**Change in Assumptions** - None

\*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, 2017**

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

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

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

	State Gas Tax	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District	Transit System
<b>ASSETS</b>						
Cash and investments	\$ 352,398	\$ 327	\$ 303,932	\$ 1,487,934	\$ 912,397	\$ -
Accounts receivable	-	-	572	-	-	-
Intergovernmental receivables	-	-	255,676	94,335	13,648	348,729
Notes receivable, net	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 352,398</u></b>	<b><u>\$ 327</u></b>	<b><u>\$ 560,180</u></b>	<b><u>\$ 1,582,269</u></b>	<b><u>\$ 926,045</u></b>	<b><u>\$ 348,729</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 9,991	\$ -	\$ 252,070	\$ -	\$ 12,237	\$ 14,557
Deposits	-	-	-	-	-	94
Due to other funds	-	-	-	-	-	292,380
<b>Total liabilities</b>	<b><u>9,991</u></b>	<b><u>-</u></b>	<b><u>252,070</u></b>	<b><u>-</u></b>	<b><u>12,237</u></b>	<b><u>307,031</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	-	-	250,642	94,335	-	347,585
<b>Total deferred inflows of resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>250,642</u></b>	<b><u>94,335</u></b>	<b><u>-</u></b>	<b><u>347,585</u></b>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted for:						
Highway and streets	342,407	327	57,468	1,487,934	913,808	-
Community development	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(305,887)
<b>Total fund balances (deficit)</b>	<b><u>342,407</u></b>	<b><u>327</u></b>	<b><u>57,468</u></b>	<b><u>1,487,934</u></b>	<b><u>913,808</u></b>	<b><u>(305,887)</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 352,398</u></b>	<b><u>\$ 327</u></b>	<b><u>\$ 560,180</u></b>	<b><u>\$ 1,582,269</u></b>	<b><u>\$ 926,045</u></b>	<b><u>\$ 348,729</u></b>

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

	Public Safety Grants	Home Investment Partnership Program	EDBG Grants	Low and Moderate Income Housing Asset Fund	Total
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 71,201	\$ 197,351	\$ -	\$ 3,325,540
Accounts receivable	-	-	-	-	572
Accounts receivable	-	-	-	-	712,388
Notes receivable, net	-	1,445,172	126,674	77,434	1,649,280
Land held for resale	-	-	-	104,000	104,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,000</u>	<u>104,000</u>
Total assets	<u>\$ -</u>	<u>\$ 1,516,373</u>	<u>\$ 324,025</u>	<u>\$ 181,434</u>	<u>\$ 5,791,780</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 4,642	\$ -	\$ -	\$ 293,497
Unearned revenues	-	-	-	-	94
Due to other funds	-	-	-	45,559	337,939
	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,559</u>	<u>337,939</u>
Total liabilities	<u>-</u>	<u>4,642</u>	<u>-</u>	<u>45,559</u>	<u>631,530</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	-	1,445,172	126,674	77,434	2,341,842
	<u>-</u>	<u>1,445,172</u>	<u>126,674</u>	<u>77,434</u>	<u>2,341,842</u>
Total deferred inflows of resources	<u>-</u>	<u>1,445,172</u>	<u>126,674</u>	<u>77,434</u>	<u>2,341,842</u>
<b>FUND BALANCES (DEFICIT)</b>					
Restricted for:					
Highway and streets	-	-	-	-	2,801,944
Community development	-	66,559	197,351	58,441	322,351
Unassigned	-	-	-	-	(305,887)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,887)</u>
Total fund balances (deficit)	<u>-</u>	<u>66,559</u>	<u>197,351</u>	<u>58,441</u>	<u>2,818,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 1,516,373</u>	<u>\$ 324,025</u>	<u>\$ 181,434</u>	<u>\$ 5,791,780</u>



**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Street &amp; Road (LTF)</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>Transit System</u>
<b>REVENUES</b>						
Licenses and permits	\$ -	\$ -	\$ 4,450	\$ -	\$ -	\$ -
Intergovernmental	300,836	-	16,082	352,389	-	206,267
Use of money and property	2,037	327	3	-	4,242	-
Charges for services	-	-	-	-	341,029	18,783
Loan repayments	-	-	-	-	-	-
Miscellaneous	-	-	14,793	330	-	1,267
	<u>302,873</u>	<u>327</u>	<u>35,328</u>	<u>352,719</u>	<u>345,271</u>	<u>226,317</u>
Total revenues						
<b>EXPENDITURES</b>						
Current:						
Highway and streets	-	-	315,713	-	234,103	392,068
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	12,131
Debt service:						
Principal	-	-	-	157,500	-	-
Interest	-	-	-	1,453	-	-
	<u>-</u>	<u>-</u>	<u>315,713</u>	<u>158,953</u>	<u>234,103</u>	<u>404,199</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	<u>302,873</u>	<u>327</u>	<u>(280,385)</u>	<u>193,766</u>	<u>111,168</u>	<u>(177,882)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	433,648	1,105	-	-
Transfers out	<u>(216,363)</u>	<u>(69,284)</u>	<u>(150,538)</u>	<u>(161,084)</u>	<u>(128,790)</u>	<u>-</u>
Total other financing sources (uses)	<u>(216,363)</u>	<u>(69,284)</u>	<u>283,110</u>	<u>(159,979)</u>	<u>(128,790)</u>	<u>-</u>
Net change in fund balances	86,510	(68,957)	2,725	33,787	(17,622)	(177,882)
Fund balances (deficit), beginning of year	<u>255,897</u>	<u>69,284</u>	<u>54,743</u>	<u>1,454,147</u>	<u>931,430</u>	<u>(128,005)</u>
Fund balances (deficit), end of year	<u>\$ 342,407</u>	<u>\$ 327</u>	<u>\$ 57,468</u>	<u>\$ 1,487,934</u>	<u>\$ 913,808</u>	<u>\$ (305,887)</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Public Safety Grants	Home Investment Partnership Program	EDBG Grants	Low and Moderate Income Housing Asset Fund	Total
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 4,450
Intergovernmental	18,542	600	-	-	894,716
Use of money and property	7	304	1,616	-	8,536
Charges for services	-	-	-	-	359,812
Loan repayments	-	-	51,935	-	51,935
Miscellaneous	-	-	-	-	16,390
	<u>18,549</u>	<u>904</u>	<u>53,551</u>	<u>-</u>	<u>1,335,839</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
Highway and streets	-	-	-	-	941,884
Community Development	-	57,630	33,842	-	91,472
Capital outlay	-	-	-	-	12,131
Debt service:					
Principal	-	-	-	-	157,500
Interest	-	-	-	-	1,453
	<u>-</u>	<u>57,630</u>	<u>33,842</u>	<u>-</u>	<u>1,204,440</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>18,549</u>	<u>(56,726)</u>	<u>19,709</u>	<u>-</u>	<u>131,399</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	60,391	-	-	495,144
Transfers out	<u>(19,605)</u>	<u>-</u>	<u>(150,312)</u>	<u>-</u>	<u>(895,976)</u>
	<u>(19,605)</u>	<u>60,391</u>	<u>(150,312)</u>	<u>-</u>	<u>(400,832)</u>
Total other financing sources (uses)					
Net change in fund balances	(1,056)	3,665	(130,603)	-	(269,433)
Fund balances (deficit), beginning of year	<u>1,056</u>	<u>62,894</u>	<u>327,954</u>	<u>58,441</u>	<u>3,087,841</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ 66,559</u>	<u>\$ 197,351</u>	<u>\$ 58,441</u>	<u>\$ 2,818,408</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2017**

	Storm Drain	Airport	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,456,704	\$ -	\$ 1,456,704
Accounts receivable, net	23,080	798	23,878
Intergovernmental receivables	-	8,021	8,021
Prepaid items	<u>-</u>	<u>2,333</u>	<u>2,333</u>
Total current assets	<u>1,479,784</u>	<u>11,152</u>	<u>1,490,936</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	154,208	452,951	607,159
Depreciable, net of accumulated depreciation	<u>103,595</u>	<u>179,862</u>	<u>283,457</u>
Total noncurrent assets	<u>257,803</u>	<u>632,813</u>	<u>890,616</u>
Total assets	<u>1,737,587</u>	<u>643,965</u>	<u>2,381,552</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	9,583	-	9,583
Deferred outflows of resources from pensions	<u>22,962</u>	<u>1,891</u>	<u>24,853</u>
Total deferred outflows of resources	<u>32,545</u>	<u>1,891</u>	<u>34,436</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	34	178	212
Unearned revenue	<u>-</u>	<u>9,096</u>	<u>9,096</u>
Total current liabilities	<u>34</u>	<u>9,274</u>	<u>9,308</u>
Noncurrent liabilities:			
Net pension liability	<u>103,752</u>	<u>-</u>	<u>103,752</u>
Total noncurrent liabilities	<u>103,752</u>	<u>-</u>	<u>103,752</u>
Total liabilities	<u>103,786</u>	<u>9,274</u>	<u>113,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	<u>4,278</u>	<u>168</u>	<u>4,446</u>
Total deferred outflows of resources	<u>4,278</u>	<u>168</u>	<u>4,446</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	257,803	632,813	890,616
Unrestricted	<u>1,404,265</u>	<u>3,601</u>	<u>1,407,866</u>
Total net position (deficit)	<u>\$ 1,662,068</u>	<u>\$ 636,414</u>	<u>\$ 2,298,482</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 209,499	\$ 19,586	\$ 229,085
Miscellaneous	<u>1,407</u>	<u>20</u>	<u>1,427</u>
Total operating revenues	<u>210,906</u>	<u>19,606</u>	<u>230,512</u>
Operating expenses:			
Personnel services	34,711	(8,861)	25,850
Materials, supplies and services	6,893	16,956	23,849
Depreciation	<u>6,349</u>	<u>14,683</u>	<u>21,032</u>
Total operating expenses	<u>47,953</u>	<u>22,778</u>	<u>70,731</u>
Operating income (loss)	<u>162,953</u>	<u>(3,172)</u>	<u>159,781</u>
Nonoperating revenues (expenses):			
Interest income	5,955	-	5,955
Taxes	-	8,724	8,724
Grants	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total nonoperating revenues (expenses)	<u>5,955</u>	<u>18,724</u>	<u>24,679</u>
Income (loss) before transfers	<u>168,908</u>	<u>15,552</u>	<u>184,460</u>
Transfers in	<u>1,249,175</u>	<u>30,293</u>	<u>1,279,468</u>
Change in net position	1,418,083	45,845	1,463,928
Net position (deficit), beginning of year	<u>243,985</u>	<u>590,569</u>	<u>834,554</u>
Net position (deficit), end of year	<u>\$ 1,662,068</u>	<u>\$ 636,414</u>	<u>\$ 2,298,482</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Storm Drain	Airport	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 197,345	\$ 26,407	\$ 223,752
Payments to suppliers	(11,954)	(17,604)	(29,558)
Payments to employees	(58,976)	(14,071)	(73,047)
Other operating revenues	<u>1,407</u>	<u>20</u>	<u>1,427</u>
Net cash provided by (used in) operating activities	<u>127,822</u>	<u>(5,248)</u>	<u>122,574</u>
Cash flows from noncapital financing activities:			
Grants received	-	10,000	10,000
Transfer from other funds	1,249,175	30,293	1,279,468
Loans from other funds	-	(35,748)	(35,748)
Taxes received	<u>-</u>	<u>703</u>	<u>703</u>
Net cash provided by (used in) noncapital financing activities	<u>1,249,175</u>	<u>5,248</u>	<u>1,254,423</u>
Cash flows from investing activities:			
Interest received	<u>5,955</u>	<u>-</u>	<u>5,955</u>
Net cash provided by (used in) investing activities	<u>5,955</u>	<u>-</u>	<u>5,955</u>
Net increase (decrease) in cash and cash equivalents	1,382,952	-	1,382,952
Cash and cash equivalents, beginning of year	<u>73,752</u>	<u>-</u>	<u>73,752</u>
Cash and cash equivalents, end of year	<u>\$ 1,456,704</u>	<u>\$ -</u>	<u>\$ 1,456,704</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 162,953	\$ (3,172)	\$ 159,781
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,349	14,682	21,031
(Increase) decrease in:			
Accounts receivable	(12,154)	6,822	(5,332)
Deferred outflows of resources from pensions	(7,167)	4,051	(3,116)
Increase (decrease) in:			
Accounts payable and other liabilities	(5,061)	(648)	(5,709)
Net pension liability	(11,354)	(24,977)	(36,331)
Deferred inflows of resources from pension	<u>(5,744)</u>	<u>(2,006)</u>	<u>(7,750)</u>
Net cash provided by (used in) operating activities	<u>\$ 127,822</u>	<u>\$ (5,248)</u>	<u>\$ 122,574</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2017**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 321	\$ 38,739	\$ 87,998	\$ 127,058
Prepaid expenses	<u>-</u>	<u>-</u>	<u>39,218</u>	<u>39,218</u>
Total current assets	<u>321</u>	<u>38,739</u>	<u>127,216</u>	<u>166,276</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net of accumulated depreciation	<u>-</u>	<u>13,896</u>	<u>-</u>	<u>13,896</u>
Total noncurrent assets	<u>-</u>	<u>13,896</u>	<u>-</u>	<u>13,896</u>
Total assets	<u>321</u>	<u>52,635</u>	<u>127,216</u>	<u>180,172</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to pension plan in current fiscal year	20,206	38,049	-	58,255
Deferred outflows of resources from pensions	<u>41,389</u>	<u>79,838</u>	<u>-</u>	<u>121,227</u>
Total deferred outflows of resources	<u>61,595</u>	<u>117,887</u>	<u>-</u>	<u>179,482</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	822	23,797	-	24,619
Accrued payroll	-	-	139,928	139,928
Compensated absences	<u>-</u>	<u>-</u>	<u>241,054</u>	<u>241,054</u>
Total current liabilities	<u>822</u>	<u>23,797</u>	<u>380,982</u>	<u>405,601</u>
Noncurrent liabilities:				
Compensated absences	-	-	89,985	89,985
Net pension liability	<u>213,598</u>	<u>406,668</u>	<u>-</u>	<u>620,266</u>
Total noncurrent liabilities	<u>213,598</u>	<u>406,668</u>	<u>89,985</u>	<u>710,251</u>
Total liabilities	<u>214,420</u>	<u>430,465</u>	<u>470,967</u>	<u>1,115,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources from pensions	<u>7,830</u>	<u>15,416</u>	<u>-</u>	<u>23,246</u>
Total deferred inflows of resources	<u>7,830</u>	<u>15,416</u>	<u>-</u>	<u>23,246</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	-	13,896	-	13,896
Unrestricted (deficit)	<u>(160,334)</u>	<u>(289,255)</u>	<u>(343,751)</u>	<u>(793,340)</u>
Total net position (deficit)	<u>\$ (160,334)</u>	<u>\$ (275,359)</u>	<u>\$ (343,751)</u>	<u>\$ (779,444)</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 192,252	\$ 490,204	\$ -	\$ 682,456
Miscellaneous	<u>100</u>	<u>196</u>	<u>-</u>	<u>296</u>
Total operating revenues	<u>192,352</u>	<u>490,400</u>	<u>-</u>	<u>682,752</u>
Operating expenses:				
Personnel services	171,355	269,390	35,698	476,443
Materials, supplies and services	63,547	170,862	-	234,409
Depreciation	<u>-</u>	<u>1,117</u>	<u>-</u>	<u>1,117</u>
Total operating expenses	<u>234,902</u>	<u>441,369</u>	<u>35,698</u>	<u>711,969</u>
Operating income (loss)	<u>(42,550)</u>	<u>49,031</u>	<u>(35,698)</u>	<u>(29,217)</u>
Nonoperating revenues (expenses):				
Interest income	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total nonoperating revenues (expenses)	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Income (loss) before transfers	<u>(42,546)</u>	<u>49,031</u>	<u>(35,698)</u>	<u>(29,213)</u>
Change in net position	(42,546)	49,031	(35,698)	(29,213)
Net position (deficit), beginning of year	<u>(117,788)</u>	<u>(324,390)</u>	<u>(308,053)</u>	<u>(750,231)</u>
Net position (deficit), end of year	<u>\$ (160,334)</u>	<u>\$ (275,359)</u>	<u>\$ (343,751)</u>	<u>\$ (779,444)</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 192,252	\$ 490,204	\$ -	\$ 682,456
Payments to suppliers	(63,466)	(152,433)	-	(215,899)
Payments to or received from employees	(143,370)	(236,980)	5,190	(375,160)
Other operating revenues	<u>100</u>	<u>196</u>	<u>-</u>	<u>296</u>
Net cash provided by (used in) operating activities	<u>(14,484)</u>	<u>100,987</u>	<u>5,190</u>	<u>91,693</u>
Cash flows from noncapital financing activities:				
Loan from other funds	<u>-</u>	<u>(62,248)</u>	<u>-</u>	<u>(62,248)</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(62,248)</u>	<u>-</u>	<u>(62,248)</u>
Cash flows from investing activities:				
Interest received	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Net cash provided by (used in) investing activities	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Net increase (decrease) in cash and cash equivalents	(14,480)	38,739	5,190	29,449
Cash and cash equivalents, beginning of year	<u>14,801</u>	<u>-</u>	<u>82,808</u>	<u>97,609</u>
Cash and cash equivalents, end of year	<u>\$ 321</u>	<u>\$ 38,739</u>	<u>\$ 87,998</u>	<u>\$ 127,058</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (42,550)	\$ 49,031	\$ (35,698)	\$ (29,217)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,117	-	1,117
(Increase) decrease in:				
Accounts receivable	-	-	555	555
Prepaid expenses	-	-	3,738	3,738
Deferred outflows of resources from pensions	(28,672)	(51,031)	-	(79,703)
Increase (decrease) in:				
Accounts payable and other liabilities	81	18,429	897	19,407
Compensated absences	-	-	35,698	35,698
Net pension liability	62,021	95,143	-	157,164
Deferred inflows of resources from pensions	<u>(5,364)</u>	<u>(11,702)</u>	<u>-</u>	<u>(17,066)</u>
Net cash provided by (used in) operating activities	<u>\$ (14,484)</u>	<u>\$ 100,987</u>	<u>\$ 5,190</u>	<u>\$ 91,693</u>



**CITY OF CHOWCHILLA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b><u>Community Facilities District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 964,167	\$ 3,088,210	\$ (3,068,966)	\$ 983,411
Restricted cash with fiscal agents	3,133,843	3,440	(16,314)	3,120,969
Accounts receivable	<u>3,862</u>	<u>42,183</u>	<u>(32,968)</u>	<u>13,077</u>
Total assets	<u>\$ 4,101,872</u>	<u>\$ 3,133,833</u>	<u>\$ (3,118,248)</u>	<u>\$ 4,117,457</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 4,101,872</u>	<u>\$ 3,133,833</u>	<u>\$ (3,118,248)</u>	<u>\$ 4,117,457</u>
<b><u>Greenhills Assessment District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 400,544	\$ 1,226,616	\$ (1,218,694)	\$ 408,466
Restricted cash with fiscal agents	267,129	250,701	(267,131)	250,699
Accounts receivable	<u>7,501</u>	<u>8,321</u>	<u>(7,501)</u>	<u>8,321</u>
Total assets	<u>\$ 675,174</u>	<u>\$ 1,485,638</u>	<u>\$ (1,493,326)</u>	<u>\$ 667,486</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 675,174</u>	<u>\$ 1,485,638</u>	<u>\$ (1,493,326)</u>	<u>\$ 667,486</u>
<b><u>Pheasant Run Assessment District</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 415,495	\$ 506,554	\$ (508,320)	\$ 413,729
Restricted cash with fiscal agents	196,781	55	-	196,836
Accounts receivable	<u>11,957</u>	<u>19,104</u>	<u>(11,957)</u>	<u>19,104</u>
Total assets	<u>\$ 624,233</u>	<u>\$ 525,713</u>	<u>\$ (520,277)</u>	<u>\$ 629,669</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 624,233</u>	<u>\$ 525,713</u>	<u>\$ (520,277)</u>	<u>\$ 629,669</u>
<b><u>Developer Deposits</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ (21,485)	\$ 146,625	\$ (151,223)	\$ (26,083)
Accounts receivable	<u>138,873</u>	<u>398,647</u>	<u>(537,520)</u>	<u>-</u>
Total assets	<u>\$ 117,388</u>	<u>\$ 545,272</u>	<u>\$ (688,743)</u>	<u>\$ (26,083)</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 117,388</u>	<u>\$ 545,272</u>	<u>\$ (688,743)</u>	<u>\$ (26,083)</u>
<b><u>Total Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,758,721	\$ 4,968,005	\$ (4,947,203)	\$ 1,779,523
Restricted cash with fiscal agents	3,597,753	254,196	(283,445)	3,568,504
Accounts receivable	<u>162,193</u>	<u>468,255</u>	<u>(589,946)</u>	<u>40,502</u>
Total assets	<u>\$ 5,518,667</u>	<u>\$ 5,690,456</u>	<u>\$ (5,820,594)</u>	<u>\$ 5,388,529</u>
<b>LIABILITIES</b>				
Agency obligations	<u>\$ 5,518,667</u>	<u>\$ 5,690,456</u>	<u>\$ (5,820,594)</u>	<u>\$ 5,388,529</u>

OTHER INDEPENDENT AUDITOR'S REPORTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chowchilla, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2018.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

677 Scott Avenue  
Clovis, CA 93612  
tel 559.299.9540  
fax 559.299.2344

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

**Purpose of this Report**

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

*Price Pange & Company*

Clovis, California  
March 26, 2018

## FINDINGS AND QUESTIONED COSTS

**CITY OF CHOWCHILLA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**FINANCIAL STATEMENTS**

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**CITY OF CHOWCHILLA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL STATEMENT FINDINGS**

None reported.