

**CITY OF CHOWCHILLA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**

CITY OF CHOWCHILLA
JUNE 30, 2015

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CITY OF CHOWCHILLA
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chowchilla, California (the City) as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 9 in the financial statements, effective July 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Capital Assets

During the current fiscal year the City of Chowchilla reported capital assets and related depreciation in the financial statements in accordance with generally accepted accounting principles. These capital assets were not reported by the City in previous fiscal years. Accordingly, beginning net position of governmental activities, business-type activities and enterprise funds have been restated.

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 62-64, schedule of the City's proportionate share of the net pension liability on page 65, and schedule of contributions on page 66 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 February 10, 2016, 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
February 10, 2016

BASIC FINANCIAL STATEMENTS

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CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,021,470	\$ 996,594	\$ 10,018,064
Restricted cash and investments	3,761,337	-	3,761,337
Accounts receivable, net	1,739,757	470,428	2,210,185
Notes receivable, net	21,188,654	-	21,188,654
Prepaid expenses	50,286	2,533	52,819
Land held for resale	104,000	-	104,000
Due from the Successor Agency	332,233	-	332,233
Internal balances	127,701	(127,701)	-
Capital assets:			
Nondepreciable	978,546	2,060,301	3,038,847
Depreciable, net of accumulated depreciation	<u>15,791,520</u>	<u>11,040,720</u>	<u>26,832,240</u>
Total assets	<u>53,095,504</u>	<u>14,442,875</u>	<u>67,538,379</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	707,489	134,312	841,801
Deferred outflows of resources from pensions	<u>186,682</u>	<u>24,808</u>	<u>211,490</u>
Total deferred outflows of resources	<u>894,171</u>	<u>159,120</u>	<u>1,053,291</u>
LIABILITIES			
Accounts payable	588,478	121,531	710,009
Accrued payroll	116,727	-	116,727
Deposits	10,562	181,404	191,966
Accrued interest	1,270,198	11,375	1,281,573
Unearned revenues	-	9,854	9,854
Long-term liabilities:			
Due within one year	1,059,797	153,552	1,213,349
Due in more than one year	<u>29,136,874</u>	<u>1,653,199</u>	<u>30,790,073</u>
Total liabilities	<u>32,182,636</u>	<u>2,130,915</u>	<u>34,313,551</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>1,238,512</u>	<u>276,236</u>	<u>1,514,748</u>
Total deferred inflows of resources	<u>1,238,512</u>	<u>276,236</u>	<u>1,514,748</u>
NET POSITION			
Net investment in capital assets	5,299,923	12,447,469	17,747,392
Restricted for:			
Highway and streets	2,882,414	-	2,882,414
Community development	699,051	-	699,051
Capital maintenance	5,036,885	-	5,036,885
Unrestricted	<u>6,650,254</u>	<u>(252,625)</u>	<u>6,397,629</u>
Total net position	<u>\$ 20,568,527</u>	<u>\$ 12,194,844</u>	<u>\$ 32,763,371</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, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
General government	\$ 1,540,192	\$ 837,655	\$ 39,576	\$ -
Public safety	3,279,190	56,633	302,160	-
Highways and streets	1,791,644	448,112	1,312,027	240,000
Culture and recreation	352,653	1,635	4,974	-
Community development	250,526	9,032	319,031	-
Interest and fiscal charges	<u>945,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>8,159,285</u>	<u>1,353,067</u>	<u>1,977,768</u>	<u>240,000</u>
Business-type activities:				
Water	2,078,495	2,052,959	-	-
Solid waste	1,372,529	1,329,691	20,000	-
Sewer	1,598,929	1,343,776	-	-
Airport	39,008	30,342	10,000	-
Storm drain	<u>86,549</u>	<u>161,779</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,175,510</u>	<u>4,918,547</u>	<u>30,000</u>	<u>-</u>
Total	<u>\$ 13,334,795</u>	<u>\$ 6,271,614</u>	<u>\$ 2,007,768</u>	<u>\$ 240,000</u>

General revenues:

Taxes:

Property

Sales

Transient lodging

Franchises

Documentary stamp

Motor vehicle in lieu - unrestricted

Investment earnings

Rental income

Miscellaneous

Gain/loss on sale of capital assets

Transfers

Total general revenues, extraordinary item, and transfers

Change in net position

Net position, beginning of year

Prior period adjustments

Change in accounting principle

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
\$ (662,961)	\$ -	\$ (662,961)
(2,920,397)	-	(2,920,397)
208,495	-	208,495
(346,044)	-	(346,044)
77,537	-	77,537
<u>(945,080)</u>	<u>-</u>	<u>(945,080)</u>
<u>(4,588,450)</u>	<u>-</u>	<u>(4,588,450)</u>
-	(25,536)	(25,536)
-	(22,838)	(22,838)
-	(255,153)	(255,153)
-	1,334	1,334
<u>-</u>	<u>75,230</u>	<u>75,230</u>
<u>-</u>	<u>(226,963)</u>	<u>(226,963)</u>
<u>(4,588,450)</u>	<u>(226,963)</u>	<u>(4,815,413)</u>
1,391,829	7,411	1,399,240
1,505,158	-	1,505,158
268,851	-	268,851
258,436	-	258,436
24,969	-	24,969
1,530,571	-	1,530,571
404,863	1,899	406,762
106,977	-	106,977
222,589	19,724	242,313
(5,884)	11,832	5,948
<u>(1,000)</u>	<u>1,000</u>	<u>-</u>
<u>5,707,359</u>	<u>41,866</u>	<u>5,749,225</u>
<u>1,118,909</u>	<u>(185,097)</u>	<u>933,812</u>
8,984,476	247,226	9,231,702
16,825,984	13,414,690	30,240,674
<u>(6,360,842)</u>	<u>(1,281,975)</u>	<u>(7,642,817)</u>
<u>19,449,618</u>	<u>12,379,941</u>	<u>31,829,559</u>
<u>\$ 20,568,527</u>	<u>\$ 12,194,844</u>	<u>\$ 32,763,371</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ -	\$ 341,522	\$ 926,032	\$ 7,906,161	\$ 9,173,715
Restricted cash and investments	369,739	-	3,133,832	257,766	3,761,337
Accounts receivable	573,905	-	-	1,165,852	1,739,757
Notes receivable, net	-	19,362,196	-	1,826,458	21,188,654
Due from other funds	709,051	-	12,286	242,677	964,014
Due from the Successor Agency	332,233	-	-	-	332,233
Prepaid expenses	4,342	-	-	-	4,342
Land held for resale	-	-	-	104,000	104,000
Advances to other funds	557,442	-	-	-	557,442
Total assets	\$ 2,546,712	\$ 19,703,718	\$ 4,072,150	\$ 11,502,914	\$ 37,825,494
LIABILITIES					
Cash overdraft	\$ 210,980	\$ -	\$ -	\$ -	\$ 210,980
Accounts payable	162,676	2,704	1,262	407,631	574,273
Deposits	1,500	-	-	-	1,500
Unearned revenues	-	-	-	9,062	9,062
Due to other funds	-	-	-	838,944	838,944
Advances from other funds	-	-	-	557,442	557,442
Total liabilities	375,156	2,704	1,262	1,813,079	2,192,201
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	117,817	19,362,196	-	2,429,642	21,909,655
Total deferred inflows of resources	117,817	19,362,196	-	2,429,642	21,909,655
FUND BALANCES					
Nonspendable:					
Prepaid expenses	4,342	-	-	-	4,342
Land held for resale	-	-	-	104,000	104,000
Long-term receivable	557,442	-	-	-	557,442
Restricted for:					
Public safety	-	-	-	1,054	1,054
Highway and streets	-	-	-	2,882,414	2,882,414
Community development	-	338,818	-	360,233	699,051
Capital maintenance	-	-	-	5,036,885	5,036,885
Construction projects	-	-	2,551,657	-	2,551,657
Debt service	369,739	-	582,175	-	951,914
Committed to:					
Emergency contingency	910,223	-	-	-	910,223
Assigned to:					
Continuing appropriations	39,385	-	-	-	39,385
General government	2,415	-	-	-	2,415
Public safety	15,948	-	-	-	15,948
Culture and recreation	5,349	-	-	-	5,349
Unassigned	148,896	-	937,056	(1,124,393)	(38,441)
Total fund balances	2,053,739	338,818	4,070,888	7,260,193	13,723,638
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,546,712	\$ 19,703,718	\$ 4,072,150	\$ 11,502,914	\$ 37,825,494

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, 2015**

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

Total fund balances - governmental funds	\$ 13,723,638
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,753,936
Pension related deferrals:	
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	659,539
Deferred outflows of resources	182,947
Deferred inflows of resources	(1,140,050)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds payable	(13,391,798)
Loans payable	(10,543,200)
Net pension liability	(5,676,639)
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.	(1,270,198)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	21,909,655
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(639,303)</u>
Net position of governmental activities	<u>\$ 20,568,527</u>

CITY OF CHOWCHILLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>CDBG Grants Special Revenue</u>	<u>Community Facilities District Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 2,891,533	\$ -	\$ 591,618	\$ -	\$ 3,483,151
Licenses and permits	563,876	-	-	1,220	565,096
Fines and penalties	69,196	-	-	-	69,196
Intergovernmental revenues	1,728,191	15,313	-	1,789,248	3,532,752
Use of money and property	85,663	375	30,651	13,091	129,780
Charges for services	143,086	13,032	-	571,767	727,885
Loan repayments	-	-	-	49,899	49,899
Miscellaneous	217,813	-	-	10,214	228,027
	<u>5,699,358</u>	<u>28,720</u>	<u>622,269</u>	<u>2,435,439</u>	<u>8,785,786</u>
Total revenues					
EXPENDITURES					
Current:					
General government	1,402,203	-	31,502	2,802	1,436,507
Public safety	3,120,128	-	-	-	3,120,128
Highways and streets	188,529	-	-	1,109,708	1,298,237
Culture and recreation	307,900	-	-	-	307,900
Community Development	-	25,633	-	365,312	390,945
Capital outlay	209,712	-	-	521,331	731,043
Debt service:					
Principal	-	-	180,000	416,024	596,024
Interest	-	-	377,091	278,231	655,322
	<u>5,228,472</u>	<u>25,633</u>	<u>588,593</u>	<u>2,693,408</u>	<u>8,536,106</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>470,886</u>	<u>3,087</u>	<u>33,676</u>	<u>(257,969)</u>	<u>249,680</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	704,910	71,336	-	2,125,805	2,902,051
Transfers out	(988,721)	-	-	(1,914,330)	(2,903,051)
Proceeds from promissory note	-	22,236	-	-	22,236
	<u>(283,811)</u>	<u>93,572</u>	<u>-</u>	<u>211,475</u>	<u>21,236</u>
Total other financing sources (uses)					
Net change in fund balances	<u>187,075</u>	<u>96,659</u>	<u>33,676</u>	<u>(46,494)</u>	<u>270,916</u>
Fund balances, beginning of year	1,929,778	242,159	4,037,212	7,275,497	13,484,646
Prior period adjustments	(63,114)	-	-	31,190	(31,924)
Fund balances, beginning of year, restated	<u>1,866,664</u>	<u>242,159</u>	<u>4,037,212</u>	<u>7,306,687</u>	<u>13,452,722</u>
Fund balances, end of year	<u>\$ 2,053,739</u>	<u>\$ 338,818</u>	<u>\$ 4,070,888</u>	<u>\$ 7,260,193</u>	<u>\$ 13,723,638</u>

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

CITY OF CHOWCHILLA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds	\$ 270,916
<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	632,847
Depreciation expense	(709,800)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.</p>	(18,438)
<p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities.</p>	659,539
<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>	
Repayment of the principal of long-term debt	596,024
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>	
Increase in accrued interest payable	(289,758)
<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>	(662,763)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	635,176
<p>The net revenue of certain activities of the internal service funds is reported with governmental activities.</p>	<u>12,488</u>
Change in net position of governmental activities	<u>\$ 1,118,909</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, 2015**

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,965,772	\$ 1,326,476	\$ 1,325,341	\$ 192,121	\$ 4,809,710
Miscellaneous	106,792	3,215	18,435	120	128,562
Total operating revenues	2,072,564	1,329,691	1,343,776	192,241	4,938,272
Operating expenses:					
Personnel services	572,261	43,627	518,953	49,699	1,184,540
Materials, supplies and services	1,237,805	1,328,900	921,161	54,829	3,542,695
Depreciation	249,364	-	149,980	21,032	420,376
Total operating expenses	2,059,430	1,372,527	1,590,094	125,560	5,147,611
Operating income (loss)	13,134	(42,836)	(246,318)	66,681	(209,339)
Nonoperating revenues (expenses):					
Interest income	630	469	706	94	1,899
Taxes	-	-	-	7,411	7,411
Grants	-	-	20,000	10,000	30,000
Interest expense	(20,584)	-	(10,331)	-	(30,915)
Total nonoperating revenues (expenses)	(19,954)	469	10,375	17,505	8,395
Income (loss) before transfers	(6,820)	(42,367)	(235,943)	84,186	(200,944)
Other financing sources (uses):					
Gain (loss) on sale of assets	8,696	-	3,134	-	11,830
Transfers in	-	-	-	1,000	1,000
Total other financing sources (uses)	8,696	-	3,134	1,000	12,830
Change in net position	1,876	(42,367)	(232,809)	85,186	(188,114)
Net position (deficit), beginning of year	(337,969)	193,841	498,574	(38,808)	(330,337)
Prior period adjustments	6,681,751	-	5,779,231	953,708	-
Change in accounting principle	(628,542)	(24,865)	(563,877)	(64,691)	(389,863)
Net position, beginning of year, restated	5,715,240	168,976	5,713,928	850,209	(720,200)
Net position (deficit), end of year	\$ 5,717,116	\$ 126,609	\$ 5,481,119	\$ 935,395	\$ (704,696)
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					3,017
Changes in net position of business-type activities					\$ (185,097)

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, 2015**

	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	\$ 2,071,385	\$ 1,337,651	\$ 1,366,707	\$ 189,715	\$ 4,965,458	\$ 520,113
Payments to suppliers	(1,249,710)	(1,330,894)	(919,194)	(55,538)	(3,555,336)	(185,666)
Payments to employees	(579,106)	(44,628)	(523,176)	(49,290)	(1,196,200)	(306,523)
Net cash provided by (used in) operating activities	242,569	(37,871)	(75,663)	84,887	213,922	27,924
Cash flows from noncapital financing activities:						
Grants received	-	-	-	10,000	10,000	-
Transfer from other funds	-	-	-	1,000	1,000	-
Loan from other funds	-	-	-	-	-	49,824
Loan repayment to other funds	-	-	-	(14,048)	(14,048)	(14,106)
Taxes received	-	-	-	7,408	7,408	-
Net cash provided by (used in) noncapital financing activities	-	-	-	4,360	4,360	35,718
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(4,756)	-	(101,950)	-	(106,706)	(16,754)
Proceeds from the sale of capital assets	8,696	-	3,134	-	11,830	-
Principal paid	(60,000)	-	(89,520)	-	(149,520)	-
Interest paid	(21,656)	-	(12,265)	-	(33,921)	-
Grants received	-	-	20,000	-	20,000	-
Net cash provided by (used in) capital and related financing activities	(77,716)	-	(180,601)	-	(258,317)	(16,754)
Cash flows from investing activities:						
Interest received	630	469	706	94	1,899	-
Net cash provided by (used in) investing activities	630	469	706	94	1,899	-
Net increase (decrease) in cash and cash equivalents	165,483	(37,402)	(255,558)	89,341	(38,136)	46,888
Cash and cash equivalents, beginning of year	237,011	148,980	638,799	9,940	1,034,730	11,847
Cash and cash equivalents, end of year	\$ 402,494	\$ 111,578	\$ 383,241	\$ 99,281	\$ 996,594	\$ 58,735

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, 2015**

	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)	\$ 13,134	\$ (42,836)	\$ (246,318)	\$ 66,681	\$ (209,339)	\$ 15,504
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	249,364	-	149,980	21,032	420,376	624
(Increase) decrease in:						
Accounts receivable	(17,096)	7,960	22,931	(2,526)	11,269	-
Prepaid expenses	-	-	-	(200)	(200)	15,729
Deferred outflows of resources from pensions	(78,870)	(4,243)	(68,925)	(7,082)	(159,120)	(51,685)
Increase (decrease) in:						
Accounts payable	(11,905)	(1,994)	1,967	(509)	(12,441)	3,272
Accrued payroll	-	-	-	-	-	30,492
Deposits	15,158	-	-	-	15,158	-
Compensated absences	-	-	-	-	-	(30,504)
Unearned revenue	759	-	-	-	759	-
Net pension liability	(67,218)	(5,524)	(54,366)	(1,668)	(128,776)	(53,970)
Deferred inflows of resources from pensions	139,243	8,766	119,068	9,159	276,236	98,462
Net cash provided by (used in) operating activities	<u>\$ 242,569</u>	<u>\$ (37,871)</u>	<u>\$ (75,663)</u>	<u>\$ 84,887</u>	<u>\$ 213,922</u>	<u>\$ 27,924</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, 2015**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
ASSETS		
Cash and investments (in City investment pool)	\$ 852,457	\$ 312,572
Restricted cash and investments (held by bond trustee)	465,268	549,650
Accounts receivable (net)	12,000	134,327
Prepaid expenses	-	33,335
Land held for resale	-	338,000
Capital assets:		
Nondepreciable	-	272,029
Depreciable, net of accumulated depreciation	<u>-</u>	<u>1,418,558</u>
 Total assets	 <u>\$ 1,329,725</u>	 <u>\$ 3,058,471</u>
LIABILITIES		
Accounts payable	\$ -	2,941
Due to the General Fund	-	332,233
Accrued interest	-	140,484
Long-term debt due within one year	-	180,000
Long-term debt due in more than one year	-	6,770,620
Agency obligations	<u>1,329,725</u>	<u>-</u>
 Total liabilities	 <u>\$ 1,329,725</u>	 <u>7,426,278</u>
NET POSITION		
Held in trust for Successor Agency activities		<u>\$ (4,367,807)</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, 2015**

	Successor Agency Trust Fund
	<u> </u>
ADDITIONS	
Taxes	\$ 927,193
Use of money and property	<u>80</u>
Total additions	<u>927,273</u>
DEDUCTIONS	
Administrative expenses	305,574
Interest	340,058
Depreciation	29,002
Amortization	<u>1,875</u>
Total deductions	<u>676,509</u>
Change in net position	<u>250,764</u>
Net position, beginning of year	(6,338,160)
Prior period adjustment	<u>1,719,589</u>
Net position, beginning of year, restated	<u>(4,618,571)</u>
Net position, ending of year	<u>\$ (4,367,807)</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2015

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.

A primary government is financially accountable, 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.

Blended Component Units

The following is a brief overview of the component units included in the City's accompanying financial statements. Financial information for these component units can be obtained from the City's Administrative Services Department and from the City's website at <http://ci.chowchilla.ca.us>.

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

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

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

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

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the government reports the following fund types:

Internal Service Funds:

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

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

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, 2015

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, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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*.

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 required investments at fair value in the statement of net position and balance sheet. The fair value of investments is based on published market prices and quotations from major investment brokers.

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

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

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

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

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

Restricted Assets

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

Land Held for Resale

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

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, 2015**

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, 2015**

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 each 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 of the City's fiscal year-end or 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).

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

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, 2015**

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. The City's committed fund balance includes:

General Fund Emergency Contingency:

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

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, 2015**

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.

Pronouncements

a. New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 68

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

As of July 1, 2014, the City adopted the provisions of GASB Statement No. 68 and restated the beginning net position of the City's governmental activities, business-type activities, enterprise funds, internal service funds, and the private purpose trust fund to record the net pension liability (see Note 15). The implementation of GASB Statement No. 68 enhanced the City's pension disclosures as described in Note 9 and required supplementary information.

Governmental Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement were considered but had no effect on the City for the current fiscal year.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

a. New Accounting Pronouncements Adopted (Continued)

Governmental Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this statement are effective for the City's fiscal year ending June 30, 2015.

As of July 1, 2014, the City adopted the provisions of GASB Statement No. 71 and restated the beginning net position of the City's governmental activities, business-type activities, enterprise funds, internal service funds, and the private purpose trust fund to record the beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability (see Note 15).

b. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the City's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

b. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 74

On June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City's fiscal year ending June 30, 2016.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements (Continued)

b. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Application of Statement No. 77 is effective for the City's fiscal year ending June 30, 2017.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 10,018,064
Restricted cash and investments	3,761,337
Statement of Fiduciary Net Position:	
Cash and investments	1,165,029
Restricted cash and investments	<u>1,014,918</u>
Total cash and investments	<u>\$ 15,959,348</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 3,200
Deposits with financial institutions	2,190,208
Investments	<u>13,765,940</u>
Total cash and investments	<u>\$ 15,959,348</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's cash deposits was \$2,190,209 at June 30, 2015. Bank balances were \$2,368,771, 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	\$ 8,989,682	\$ 8,989,682	\$ -	\$ -	\$ -
Held by bond trustee:					
Treasury Obligation Fund	<u>4,776,258</u>	<u>4,776,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,765,940</u>	<u>\$ 13,765,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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:

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:

Investment Type	Total	Exempt from Disclosure	Ratings as of Year-End		
			A-1+	AAAm	Not Rated
State investment pool	\$ 8,989,682	\$ -	\$ -	\$ -	\$ 8,989,682
Held by bond trustee:					
Treasury Obligation Fund	<u>4,776,258</u>	<u>-</u>	<u>-</u>	<u>4,776,258</u>	<u>-</u>
Total	<u>\$ 13,765,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,776,258</u>	<u>\$ 8,989,682</u>

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

\$369,739 of cash and investments (including amounts held by bond trustee) reported in the General Fund are held in the form of the above-described Treasury Obligation Fund.

\$257,769 of cash and investments (including amounts held by bond trustee) reported in the Debt Service Fund are held in the form of the above-described Treasury Obligation Fund.

\$3,133,832 of cash and investments (including amounts held by bond trustee) reported in the Community Facilities District Capital Projects Fund are held in the form of the above-described Treasury Obligation Fund.

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

\$465,268 of cash and investments (including amounts held by bond trustee) reported in the Greenhills Agency Fund are held in the form of the above-described Treasury Obligation Fund.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool (Continued)

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 \$8,989,682. The total amount invested by all public agencies in LAIF at June 30, 2015, was \$21,495,234,784. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2014, was \$69,606,487,716. PMIA is not SEC-registered, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

NOTE 3 – RECEIVABLES

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

	<u>General</u>	<u>CDBG Grants Special Revenue</u>	<u>Community Facilities District Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Accounts receivable	\$ 573,905	\$ -	\$ -	\$ 1,165,852	\$ 1,739,757
Notes receivable	-	19,362,196	-	1,968,651	21,330,847
Less: allowance for for uncollectibles	-	-	-	(142,193)	(142,193)
Net receivables	<u>\$ 573,905</u>	<u>\$ 19,362,196</u>	<u>\$ -</u>	<u>\$ 2,992,310</u>	<u>\$ 22,928,411</u>

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Receivables:						
Accounts receivable	\$ 228,412	\$ 117,213	\$ 138,956	\$ 11,990	\$ 28,360	\$ 524,931
Less: allowance for for uncollectibles	(30,003)	(11,000)	(12,000)	(1,500)	-	(54,503)
Net receivables	<u>\$ 198,409</u>	<u>\$ 106,213</u>	<u>\$ 126,956</u>	<u>\$ 10,490</u>	<u>\$ 28,360</u>	<u>\$ 470,428</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable, net	\$ 1,739,757	\$ 470,428	\$ 2,210,185
Notes receivable, net	21,188,654	-	21,188,654
	<u>\$ 22,928,411</u>	<u>\$ 470,428</u>	<u>\$ 23,398,839</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – RECEIVABLES (Continued)

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	\$ 19,362,196
Notes receivable in Home Investment Program Grants Special Revenue Fund	1,514,966
Notes receivable in EDBG Grants Special Revenue Fund	234,058
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>77,434</u>
Total	<u>\$ 21,746,096</u>

NOTE 4 – INTERNAL BALANCES

Due to and due from balances at June 30, 2015 are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 709,051	\$ -
Community Facilities District Capital Projects Fund	12,286	-
Nonmajor Funds:		
Streets & Road (LTF) Special Revenue Fund	-	242,677
Measure T Special Revenue Fund	242,677	-
Transit System Special Revenue Fund	-	217,700
Public Safety Grants Special Revenue Fund	-	48,946
HOME Grants Special Revenue Fund	-	4,144
Low and Moderate Low Income Housing Asset Fund	-	45,559
Debt Service Fund	-	267,632
Park Grants Capital Projects Fund	-	11,746
PFA Street Improvements - Capital Projects Fund	-	540
Information Technology Internal Service Fund	-	62,764
Enterprise Funds:		
Nonmajor Funds:		
Airport	<u>-</u>	<u>62,306</u>
Total	<u>\$ 964,014</u>	<u>\$ 964,014</u>

The “due from” balances of \$1,521,456 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, 2015 are as follows:

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 557,442	\$ -
Nonmajor Funds:		
Public Building Impact Fees	<u>-</u>	<u>557,442</u>
Total	<u>\$ 557,442</u>	<u>\$ 557,442</u>

The balance of \$557,442 for advances from other funds in the Public Building Impact Fees capital projects fund consist of cash advances from the General Fund and will be pay back with future impact fees. The City has indicated that there no plans to collect on the advance within the next year.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2015 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 704,910 (2)	\$ 988,721 (1)(2)
CDBG Grants Special Revenue Fund	71,336	-
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	573,519 (2)	1,015,409 (2)(4)
Street and Road Fund (LTF) Special Revenue Fund	1,015,409 (2)(4)	725,409 (2)(3)
Public Safety Grants Special Revenue Fund	-	100,000
EDBG Grant Special Revenue Fund	-	71,336
Ash Slough Arundo Removal Special Revenue Fund	-	5
Debt Service Funds	382,816 (1)	-
1994 PFA Street Improvements Capital Projects Fund	151,890 (3)	-
Enterprise Funds:		
Nonmajor Funds:		
Airport Enterprise Fund	<u>1,000</u>	<u>-</u>
Total	<u>\$ 2,900,880</u>	<u>\$ 2,900,880</u>

- (1) The General Fund transferred \$363,258 to the Debt Service Fund for the Civic Center debt service payments.
- (2) General fund transferred \$573,519 to the State Gas Tax Fund for PFA debt service payments. Then the Gas Tax Fund transferred \$573,519 to the Street and Road (LTF) Fund. Finally Street and Road (LTF) Fund transferred \$573,519 back to the General Fund.
- (3) Street and Road (LTF) Fund transferred \$151,890 to the 1994 PFA Street Improvements Capital Project Fund for debt service payments.
- (4) Street maintenance is being recorded in the Local Transportation Fund (LTF). The State Gas Tax Fund transferred \$441,890 for that purpose.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

Governmental Activities:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 563,098	\$ -	\$ -	\$ 563,098
Construction in progress	667,396	301,315	(553,263)	415,448
Total capital assets, not being depreciated	<u>1,230,494</u>	<u>301,315</u>	<u>(553,263)</u>	<u>978,546</u>
Capital assets, being depreciated:				
Land improvements	1,355,230	-	-	1,355,230
Buildings and improvements	6,853,476	-	-	6,853,476
Machinery, equipment, and vehicles	3,580,897	348,286	(915,471)	3,013,712
Infrastructure	15,236,554	553,264	-	15,789,818
Total capital assets, being depreciated	<u>27,026,157</u>	<u>901,550</u>	<u>(915,471)</u>	<u>27,012,236</u>
Less accumulated depreciation for:				
Land improvements	(772,807)	(33,535)	-	(806,342)
Buildings and improvements	(2,003,390)	(134,498)	-	(2,137,888)
Machinery, equipment, and vehicles	(2,598,193)	(214,812)	897,034	(1,915,971)
Infrastructure	(6,032,935)	(327,580)	-	(6,360,515)
Total accumulated depreciation	<u>(11,407,325)</u>	<u>(710,425)</u>	<u>897,034</u>	<u>(11,220,716)</u>
Total capital assets being depreciated, net	<u>15,618,832</u>	<u>191,125</u>	<u>(18,437)</u>	<u>15,791,520</u>
Governmental activities capital assets, net	<u>\$ 16,849,326</u>	<u>\$ 492,440</u>	<u>\$ (571,700)</u>	<u>\$ 16,770,066</u>

Business-Type Activities:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,947,728	\$ -	\$ -	\$ 1,947,728
Construction in progress	1,453,845	108,831	(1,450,103)	112,573
Total capital assets, not being depreciated	<u>3,401,573</u>	<u>108,831</u>	<u>(1,450,103)</u>	<u>2,060,301</u>
Capital assets, being depreciated:				
Land improvements	1,253,761	-	-	1,253,761
Buildings and improvements	2,646,600	-	-	2,646,600
Machinery, equipment, and vehicles	586,619	101,949	(105,800)	582,768
Infrastructure	14,421,235	-	-	14,421,235
Total capital assets, being depreciated	<u>18,908,215</u>	<u>101,949</u>	<u>(105,800)</u>	<u>18,904,364</u>
Less accumulated depreciation for:				
Land improvements	(549,395)	(43,261)	-	(592,656)
Buildings and improvements	(1,200,881)	(51,804)	-	(1,252,685)
Machinery, equipment, and vehicles	(363,849)	(34,835)	105,800	(292,884)
Infrastructure	(5,434,944)	(290,475)	-	(5,725,419)
Total accumulated depreciation	<u>(7,549,069)</u>	<u>(420,375)</u>	<u>105,800</u>	<u>(7,863,644)</u>
Total capital assets being depreciated, net	<u>11,359,146</u>	<u>(318,426)</u>	<u>-</u>	<u>11,040,720</u>
Governmental activities capital assets, net	<u>\$ 14,760,719</u>	<u>\$ (209,595)</u>	<u>\$ (1,450,103)</u>	<u>\$ 13,101,021</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 95,473
Public safety	155,546
Highways and streets	406,030
Culture and recreation	52,752
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>624</u>
Total depreciation expense - governmental activities	<u>\$ 710,425</u>

Business-Type Activities:

Water	\$ 249,364
Sewer	149,979
Airport	14,683
Storm drain	<u>6,349</u>
Total depreciation expense - business-type activities	<u>\$ 420,375</u>

NOTE 7 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2015:

	June 30, 2014	Additions	Reductions	June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 1,066,892	\$ -	\$ (113,524)	\$ 953,368	\$ 313,156
2005 Civic Center Bond	5,110,000	-	(145,000)	4,965,000	150,000
2007 CFD Series Special Tax Bond	7,805,000	-	(180,000)	7,625,000	190,000
Measure T Interprogram Loan	787,500	-	(157,500)	630,000	157,500
State of California NSP Loan	9,913,215	-	-	9,913,215	-
Less: Discounts	(158,907)	-	7,322	(151,585)	-
Compensated absences	279,645	-	(30,504)	249,141	249,141
Net pension liability	<u>7,164,526</u>	<u>1,168,979</u>	<u>(2,320,973)</u>	<u>6,012,532</u>	<u>-</u>
Total Governmental Activities Long-Term Debt	<u>\$ 31,967,871</u>	<u>\$ 1,168,979</u>	<u>\$ (2,940,179)</u>	<u>\$ 30,196,671</u>	<u>\$ 1,059,797</u>
Business-Type Activities:					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 153,072	\$ -	\$ (74,520)	\$ 78,552	\$ 78,552
2001 USDA Sewer Bond	125,000	-	(15,000)	110,000	15,000
2001 Water Certificates of Participation	525,000	-	(60,000)	465,000	60,000
Net pension liability	<u>1,398,686</u>	<u>286,131</u>	<u>(531,618)</u>	<u>1,153,199</u>	<u>-</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 2,201,758</u>	<u>\$ 286,131</u>	<u>\$ (681,138)</u>	<u>\$ 1,806,751</u>	<u>\$ 153,552</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2015 is comprised of the following individual issues:

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

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

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

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 313,156	\$ 46,854	\$ 78,552	\$ 2,416
2017	113,754	35,876	-	-
2018	118,978	28,720	-	-
2019	129,146	21,090	-	-
2020	<u>278,334</u>	<u>17,425</u>	-	-
Total	<u>\$ 953,368</u>	<u>\$ 149,965</u>	<u>\$ 78,552</u>	<u>\$ 2,416</u>

2005 Civic Center Bond

In 2005, the City issued Revenue Bonds in the aggregate principal amount of \$5,890,000 to refund the 2002 \$1,900,000 Civic Center Project Private Placement Financing and to finance certain public improvements. The original amount of the note (\$5,890,000) was secured by revenues of the Public Financing Authority consisting primarily of lease payments to be received by the Authority from the City under a lease agreement dated July 1, 2005, by and between the Authority and the City which are payable from the City's general fund for lease by the City of certain real property and public facilities located in the City and then constituting the Civic Center Project. Semiannual payments range from \$7,875 to \$362,953 and are payable each January 1 and July 1 through 2035.

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 150,000	\$ 212,538
2017	160,000	206,338
2018	165,000	199,838
2019	170,000	193,138
2020	180,000	186,138
2021-2025	1,005,000	810,241
2026-2030	1,245,000	566,016
2031-2035	1,540,000	258,075
2036	<u>350,000</u>	<u>7,875</u>
Total	<u>\$ 4,965,000</u>	<u>\$ 2,640,197</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM DEBT (Continued)

2007 Community Facilities District (CFD) Special Tax Bond

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

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 190,000	\$ 369,041
2017	200,000	360,361
2018	210,000	351,136
2019	215,000	341,574
2020	225,000	331,674
2021-2025	1,295,000	1,486,827
2026-2030	1,655,000	1,123,625
2031-2035	2,105,000	656,125
2036-2038	<u>1,530,000</u>	<u>117,250</u>
Total	<u>\$ 7,625,000</u>	<u>\$ 5,137,613</u>

Measure T Interprogram Loan

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

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 157,500	\$ -
2017	157,500	-
2018	157,500	-
2019	<u>157,500</u>	<u>-</u>
Total	<u>\$ 630,000</u>	<u>\$ -</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM DEBT (Continued)

State of California Neighborhood Stabilization Program (NSP) Loan

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development. The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of the AMI households in the City. Interest is accrued on the outstanding principal balance at the annual rate of 3% compounded annually. The entire outstanding principal balance plus all accrued but unpaid interest is due in full on the 55th anniversary of the date of the Project's receipt of certificates of occupancy. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2015 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,	Business-Type Activities	
	Principal	Interest
2016	\$ 15,000	\$ 4,484
2017	15,000	3,828
2018	20,000	3,063
2019	20,000	2,188
2020	20,000	1,313
2021	20,000	438
Total	<u>\$ 110,000</u>	<u>\$ 15,314</u>

2001 Water Certificate of Participation

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

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

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2016	\$ 60,000	\$ 19,031
2017	65,000	16,297
2018	65,000	13,453
2019	65,000	10,609
2020	70,000	7,656
2021-2022	140,000	6,125
Total	<u>\$ 465,000</u>	<u>\$ 73,171</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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. The outstanding balance as of June 30, 2015 is \$4,050,000.

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, 2015 is \$3,949,600.

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

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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

	General Fund	CDBG Grants Special Revenue	Street & Road (LTF) Special Revenue	Measure T Fund	Transit System	HOME Investment Grant	EDBG Grant	Low and Moderate Income Housing Asset Fund	Total
Intergovernmental Notes	\$ 117,817	\$ -	\$ 225,573	\$ 91,106	\$ 286,505	\$ -	\$ -	\$ -	\$ 721,001
	-	19,362,196	-	-	-	1,514,966	234,058	77,434	21,188,654
Total	\$ 117,817	\$ 19,362,196	\$ 225,573	\$ 91,106	\$ 286,505	\$ 1,514,966	\$ 234,058	\$ 77,434	\$ 21,909,655

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

- 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.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 each plan are applied as specified by the Public Employees’ Retirement Law.

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous and Safety Police “Classic” plans are closed to new entrants as of January 1, 2013.

The Plans’ provisions and benefits in effect at June 30, 2015 are summarized as follows:

	<u>Miscellaneous 1st Tier</u>	<u>Miscellaneous 2nd Tier</u>	<u>Miscellaneous PEPRA</u>
Hire date		January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	Prior to January 1, 2011 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 62
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	8.00%	7.00%	6.25%
Required employer contribution rates	19.349%	8.005%	6.25%

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

	<u>Safety (Police) 1st Tier</u>	<u>Safety (Police) 2nd Tier</u>	<u>Safety (Police) PEPRA</u>
		January 1, 2011 thru	
Hire date	Prior to January 1, 2011	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	9.00%	7.00%	9.50%
Required employer contribution rates	37.953%	15.370%	9.50%
	<u>Safety (Fire) 1st Tier</u>	<u>Safety (Fire) 2nd Tier</u>	<u>Safety (Fire) PEPRA</u>
		January 1, 2011 thru	
Hire date	Prior to January 1, 2011	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	9.00%	7.00%	9.50%
Required employer contribution rates	37.730%	15.358%	9.50%

Contributions – Section 20814c 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 both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 362,956	\$ 203,337
Contributions - employee (paid by employer)	59,868	45,083

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,774,208
Safety	3,391,523
 Total Net Pension Liability	 \$ 7,165,731

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2013	0.14%	0.08%
Proportion - June 30, 2014	0.15%	0.09%
Change - Increase (Decrease)	0.01%	0.01%

For the year ended June 30, 2015, the City recognized pension expense of \$826,171. At June 30, 2015, 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	\$ 841,801	\$ -
Net differences between actual and allocated employer contributions	184,019	(435)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	27,471	(97,464)
Net differences between projected and actual earnings on plan investments	-	(1,416,849)
Total	\$ 1,053,291	\$ (1,514,748)

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$841,801 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (313,642)
2017	(313,642)
2018	(321,756)
2019	(354,216)
2020	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.30% to 14.20% (1)	3.30% to 14.20% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership data for all Funds (3)	Derived using CalPERS' Membership data for all Funds (3)

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

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

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 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, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we changed our methodology.

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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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. These rates of return are net of administrative expenses.

<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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.5%	6.5%
Net Pension Liability	\$ 6,055,518	\$ 4,807,844
Current Discount Rate	7.5%	7.5%
Net Pension Liability	\$ 3,774,208	\$ 3,391,523
1% Increase	8.5%	8.5%
Net Pension Liability	\$ 1,880,936	\$ 2,224,536

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$53,198 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – POST-RETIREMENT HEALTH CARE BENEFITS

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

NOTE 11 – RISK MANAGEMENT

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

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

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, 2015:

Total assets	\$ 86,630,360
Total liabilities	<u>73,673,710</u>
Total net position	<u>\$ 12,956,650</u>
Revenues	\$ 38,130,606
Expenses	<u>40,427,807</u>
Change in net position	<u>\$ (2,297,201)</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, 2015**

NOTE 12 – DEFICIT IN FUND EQUITY

Nonmajor Governmental Funds

Street & Road (LTF) Special Revenue Fund – A deficit in fund balance at June 30, 2015, in the amount of \$237,673, is due solely to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as deferred revenue in the financial statements.

Transit System Special Revenue Fund – A deficit in fund balance at June 30, 2015, in the amount of \$222,980, is due solely to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as deferred revenue in the financial statements.

HOME Grants Special Revenue Fund – A deficit in fund balance at June 30, 2015, in the amount of \$2,500, is due to the fact that all of the City's receivables are currently unavailable to be collected. The repayment of these loans will eliminate the deficit.

Debt Service Fund – A deficit in fund balance at June 30, 2015, in the amount of \$9,866, is due primarily to the fact that debt service payments during the 2014-15 fiscal year exceeded funds transferred into the fund for said payments. Additional transfers will be required in the future to permanently eliminate the deficit.

Park Grants – A deficit in fund balance at June 30, 2015, in the amount of \$47,833, is due to the fact that fiscal year 2014-15 capital outlay expenditures exceeded available funds. A transfer from the General Fund may be required in the future to permanently eliminate the deficit.

Public Building Impact Fees Fund Capital Project Fund – A deficit in fund balance at June 30, 2015, in the amount of \$557,442, in the fund is primarily due to the fact that prior management overspent the account in order to construct the new Civic Center complex. Future deposits received from developer fee payments will eliminate the deficit over a period of several years.

1994 PFA Streets Improvement Capital Projects Fund – A deficit in fund balance at June 30, 2015, in the amount of \$540, is due primarily to the fact that debt service payments during the 2014-15 fiscal year exceeded funds transferred into the fund for said payments. Additional transfers will be required in the future to permanently eliminate the deficit.

Internal Service Funds

Fleet Maintenance Internal Service Fund – A deficit in net position at June 30, 2015, in the amount of \$134,761, in the fund is primarily due to the net pension liability of \$119,867 recorded by the City at June 30, 2015. The remaining deficit exists because current and prior year expenses required to maintain the City's fleet exceeded the amount allocated to pay for the expenses. Either reduced future costs or additional allocations from other funds will be required to eliminate the deficit.

Information Technology Internal Service Fund – A deficit in net position at June 30, 2015, in the amount of \$308,082, in the fund is primarily due to the net pension liability of \$216,026 recorded by the City at June 30, 2015. The remaining deficit exists because current and prior year expenses required to service the City's information technology employees and maintenance exceeded the amount allocated to pay for the expenses. Either reduced future costs or additional allocations from other funds will be required to eliminate the deficit.

Employee Benefits Internal Service Fund – A deficit in net position at June 30, 2015, in the amount of \$261,853, exists because the fund was established on a pay-as-you go basis for the purpose of funding the annual accrued leave liability. As employees are paid for their accumulated leave in the future, the home program of the employee makes a transfer to the Employee Benefit Fund to offset the expense.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ -	\$ 23,712
Aggregate Non-Major Funds	318,956	-	-

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

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

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

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

(Continued)

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

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

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

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

Cash and Investments

A reconciliation of the Successor Agency Trust Fund's cash and investment balances as of June 30, 2015 is as follows:

Cash on hand	\$	312,572
Cash with fiscal agent		<u>549,650</u>
Total cash	\$	<u>862,222</u>

Capital Assets

Capital assets reported in the Successor Agency Trust Fund at June 30, 2015 were comprised of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 272,029	\$ -	\$ -	\$ 272,029
Total capital assets, not being depreciated	<u>272,029</u>	<u>-</u>	<u>-</u>	<u>272,029</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>1,450,103</u>	<u>-</u>	<u>-</u>	<u>1,450,103</u>
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	<u>(2,543)</u>	<u>(29,002)</u>	<u>-</u>	<u>(31,545)</u>
Total accumulated depreciation	<u>(2,543)</u>	<u>(29,002)</u>	<u>-</u>	<u>(31,545)</u>
Total capital assets being depreciated, net	<u>1,447,560</u>	<u>(29,002)</u>	<u>-</u>	<u>1,418,558</u>
Governmental activities capital assets, net	<u>\$ 1,719,589</u>	<u>\$ (29,002)</u>	<u>\$ -</u>	<u>\$ 1,690,587</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2015 was comprised of the following:

	June 30, 2014	Additions	Reductions	June 30, 2015	Amounts Due Within One Year
2005 RDA Bond	\$ 7,160,000	\$ -	\$ (170,000)	\$ 6,990,000	\$ 180,000
County of Madera RDA Loan	25,000	-	(25,000)	-	-
Less: Discounts	<u>(41,255)</u>	-	<u>1,875</u>	<u>(39,380)</u>	-
Total	<u>\$ 7,143,745</u>	<u>\$ -</u>	<u>\$ (193,125)</u>	<u>\$ 6,950,620</u>	<u>\$ 180,000</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.

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

Fiscal Years Ending	2005 RDA Bond		
	Principal	Interest	Total
2016	\$ 180,000	\$ 335,525	\$ 515,525
2017	185,000	327,600	512,600
2018	195,000	319,169	514,169
2019	205,000	310,144	515,144
2020	210,000	300,713	510,713
2021-2025	1,210,000	1,343,550	2,553,550
2026-2030	1,530,000	1,016,550	2,546,550
2031-2035	1,905,000	588,125	2,493,125
2036-2038	<u>1,370,000</u>	<u>105,000</u>	<u>1,475,000</u>
Total	<u>\$ 6,990,000</u>	<u>\$ 4,646,376</u>	<u>\$ 11,636,376</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

(Continued)

County of Madera RDA Loan

The City entered into a loan agreement in 2008, with the County of Madera for the purpose of obtaining real property for redevelopment purposes. Principal is payable annually on September 1 in the amount \$25,000, with no interest due, and matures on September 1, 2015. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the County of Madera RDA Loan of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The Successor Agency has paid off the loan in fiscal year 2014-15.

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.

NOTE 15 – RESTATEMENTS OF BEGINNING NET POSITIONS/FUND BALANCE

Prior Period Adjustments

Governmental Activities

Beginning net positions of the Governmental Activities and Business-Type Activities in the Government-Wide Statement of Activities have been restated to record prior period adjustments to correct prior year errors principally related to capital assets.

Fund Financial Statements

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance of the funds has been restated on the fund basis financial statements to correct prior year errors principally related to capital assets.

Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in the fiscal year ending June 30, 2015. The implementation of these statements required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014).

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – RESTATEMENTS OF BEGINNING NET POSITIONS/FUND BALANCE (Continued)

Reconciliations of the prior period ending net position to the current year beginning net position for the Governmental Activities and Business-Type Activities in the Government-Wide Statement of Activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning net position	\$ 8,984,476	\$ 247,226	\$ 9,231,702
Prior Period Adjustments:			
Overstatement of accounts receivable	(31,923)	-	(31,923)
Understatement of revenue	8,581	-	8,581
Understatement of capital assets	<u>16,849,326</u>	<u>13,414,690</u>	<u>30,264,016</u>
Total prior period adjustments	<u>16,825,984</u>	<u>13,414,690</u>	<u>30,240,674</u>
Change in Accounting Principle:			
Record the beginning deferred pension contributions and net pension liability	<u>(6,360,842)</u>	<u>(1,281,975)</u>	<u>(7,642,817)</u>
Total change in accounting principle	<u>(6,360,842)</u>	<u>(1,281,975)</u>	<u>(7,642,817)</u>
Beginning net position, as restated	<u>\$ 19,449,618</u>	<u>\$ 12,379,941</u>	<u>\$ 31,829,559</u>

A reconciliation of the prior period ending fund balance to the current year beginning fund balance in the fund financial statements is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>				
		<u>Park Improvements Soccer Field</u>	<u>Park Improvements Miscellaneous</u>	<u>Park Development (IF)</u>	<u>Park Grants</u>	<u>Storm Drain Capital</u>
Beginning fund balance	\$ 1,929,778	\$ (2,177)	\$ (229,985)	\$ 47,658	\$ 161,451	\$ 1,702,536
Prior period adjustments:						
Reclassify park capital project fund balace	(63,114)	6	229,985	(47,973)	(118,905)	-
Overstatement of accounts receivable	-	-	-	-	-	(31,923)
Understatement of capital assets	-	-	-	-	-	-
Total prior period adjustments	<u>(63,114)</u>	<u>6</u>	<u>229,985</u>	<u>(47,973)</u>	<u>(118,905)</u>	<u>(31,923)</u>
Beginning fund balance, as restated	<u>\$ 1,866,664</u>	<u>\$ (2,171)</u>	<u>\$ -</u>	<u>\$ (315)</u>	<u>\$ 42,546</u>	<u>\$ 1,670,613</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – RESTATEMENTS OF BEGINNING NET POSITIONS/FUND BALANCE (Continued)

A reconciliation of the prior period ending net position to the current year beginning net position in the fund financial statements is as follows:

Description	Water Fund	Solid Waste Fund	Sewer Fund	Nonmajor Funds		Fleet Maint. Internal Service Fund	Info. Tech. Internal Service Fund	Successor Agency Trust Fund
				Storm Drain O&M Fund	Airport Fund			
Beginning fund balance	\$ (337,969)	\$ 193,841	\$ 498,574	\$ 26,363	\$ (65,171)	\$ (18,020)	\$ (19,959)	\$ (6,338,160)
Prior period adjustments:								
Understatement of capital assets	<u>6,681,751</u>	<u>-</u>	<u>5,779,231</u>	<u>276,848</u>	<u>676,860</u>	<u>-</u>	<u>-</u>	<u>1,719,589</u>
Total prior period adjustments	<u>6,681,751</u>	<u>-</u>	<u>5,779,231</u>	<u>276,848</u>	<u>676,860</u>	<u>-</u>	<u>-</u>	<u>1,719,589</u>
Change in accounting principle:								
Record the beginning deferred pension contributions and net pension liability	<u>(628,542)</u>	<u>(24,865)</u>	<u>(563,877)</u>	<u>(43,540)</u>	<u>(21,151)</u>	<u>(136,784)</u>	<u>(253,079)</u>	<u>-</u>
Total change in accounting principle	<u>(628,542)</u>	<u>(24,865)</u>	<u>(563,877)</u>	<u>(43,540)</u>	<u>(21,151)</u>	<u>(136,784)</u>	<u>(253,079)</u>	<u>-</u>
Beginning fund balance, as restated	<u>\$ 5,715,240</u>	<u>\$ 168,976</u>	<u>\$ 5,713,928</u>	<u>\$ 259,671</u>	<u>\$ 590,538</u>	<u>\$ (154,804)</u>	<u>\$ (273,038)</u>	<u>\$ (4,618,571)</u>

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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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Taxes	\$ 2,513,411	\$ 2,513,411	\$ 2,891,533	\$ 378,122
Licenses and permits	535,335	535,335	563,876	28,541
Fines and penalties	54,300	54,300	69,196	14,896
Intergovernmental	2,049,835	2,044,435	1,728,191	(316,244)
Use of money and property	77,500	77,500	85,663	8,163
Charges for services	79,010	83,870	143,086	59,216
Miscellaneous	<u>162,980</u>	<u>162,980</u>	<u>217,813</u>	<u>54,833</u>
 Total revenues	 <u>5,472,371</u>	 <u>5,471,831</u>	 <u>5,699,358</u>	 <u>227,527</u>
 EXPENDITURES				
Current:				
General government	906,911	884,387	1,402,203	(517,816)
Public safety	3,202,715	3,255,051	3,120,128	134,923
Highways and streets	252,901	191,557	188,529	3,028
Culture and recreation	355,318	338,850	307,900	30,950
Capital outlay	<u>600,185</u>	<u>662,613</u>	<u>209,712</u>	<u>452,901</u>
 Total expenditures	 <u>5,318,030</u>	 <u>5,332,458</u>	 <u>5,228,472</u>	 <u>103,986</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>154,341</u>	 <u>139,373</u>	 <u>470,886</u>	 <u>331,513</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	503,000	1,076,519	704,910	(371,609)
Transfers out	(583,816)	(1,157,336)	(988,721)	168,615
Proceeds from sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
 Total other financing sources (uses)	 <u>(70,816)</u>	 <u>(70,817)</u>	 <u>(283,811)</u>	 <u>(212,994)</u>
 Net change in fund balance	 <u>\$ 83,525</u>	 <u>\$ 68,556</u>	 <u>187,075</u>	 <u>\$ 118,519</u>
 Fund balances, beginning			1,929,778	
 Prior period adjustments			<u>(63,114)</u>	
 Fund balances, beginning of year, restated			<u>1,866,664</u>	
 Fund balances, ending			<u>\$ 2,053,739</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 122,500	\$ 122,500	\$ 15,313	\$ (107,187)
Use of money and property	300	300	375	75
Charges for services	<u>-</u>	<u>-</u>	<u>13,032</u>	<u>13,032</u>
Total revenues	<u>122,800</u>	<u>122,800</u>	<u>28,720</u>	<u>(94,080)</u>
EXPENDITURES				
Current:				
Community development	<u>86,100</u>	<u>86,100</u>	<u>25,633</u>	<u>60,467</u>
Total expenditures	<u>86,100</u>	<u>86,100</u>	<u>25,633</u>	<u>60,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,700</u>	<u>36,700</u>	<u>3,087</u>	<u>(33,613)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	71,336	71,336
Proceeds from promissory note	<u>9,350</u>	<u>9,350</u>	<u>22,236</u>	<u>12,886</u>
Total other financing sources (uses)	<u>9,350</u>	<u>9,350</u>	<u>93,572</u>	<u>84,222</u>
Net change in fund balance	<u>\$ 46,050</u>	<u>\$ 46,050</u>	96,659	<u>\$ 50,609</u>
Fund balances, beginning			<u>242,159</u>	
Fund balances, ending			<u>\$ 338,818</u>	

CITY OF CHOWCHILLA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2015:

General Fund	
Current:	
General government	\$ 517,816

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, 2015**

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Proportion of the net pension liability	0.06066%	0.05450%
Proportionate share of the net pension liability	\$ 3,774,208	\$ 3,391,523
Covered - employee payroll	\$ 2,320,316	\$ 1,190,472
Proportionate share of the net pension liability as percentage of covered-employee payroll	162.66%	284.89%
Plan's fiduciary net position	\$ 13,402,134	\$ 358,309
Plan fiduciary net position as a percentage of the total pension liability	78.05%	67.92%

Notes to Schedule:

Benefit changes. There were no changes in benefits.

Change in assumptions. There were no changes in assumptions.

* Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they occur.

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, 2015**

	2015	
	<u>Miscellaneous</u>	<u>Safety</u>
Actuarially determined contribution	\$ 446,355	\$ 385,600
Contributions in relation to the actuarially determined contributions	(446,355)	(385,600)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 2,320,316	 \$ 1,190,472
Contributions as a percentage of covered-employee payroll	19.24%	32.39%

Notes to Schedule:

	<u>Miscellaneous</u>	<u>Safety</u>
	<u>6/30/2012</u>	<u>6/30/2012</u>
Valuation date:		
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	7 Years as of the Valuation Date	13 Years as of the Valuation Date
Asset valuation method	15-year smoothed market	15-year smoothed market
Inflation	2.75%	2.75%
Salary increases	3.30% to 14.20% Depending on age, service, and type of employment	
Payroll growth	3.00%	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.	
 Retirement age	 62 years	 57 years
Mortality	Derived using CalPERS' Membership data for all Funds. 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.	

* Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they occur.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,876,244	\$ -	\$ 5,029,917	\$ 7,906,161
Restricted cash and investments	-	257,766	-	257,766
Accounts receivable	1,155,900	-	9,952	1,165,852
Notes receivable, net	1,826,458	-	-	1,826,458
Due from other funds	242,677	-	-	242,677
Land held for resale	104,000	-	-	104,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 6,205,279</u>	<u>\$ 257,766</u>	<u>\$ 5,039,869</u>	<u>\$ 11,502,914</u>
LIABILITIES				
Accounts payable	\$ 368,560	\$ -	\$ 39,071	\$ 407,631
Unearned revenues	9,062	-	-	9,062
Due to other funds	559,026	267,632	12,286	838,944
Advances to other funds	-	-	557,442	557,442
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>936,648</u>	<u>267,632</u>	<u>608,799</u>	<u>1,813,079</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>2,429,642</u>	<u>-</u>	<u>-</u>	<u>2,429,642</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>2,429,642</u>	<u>-</u>	<u>-</u>	<u>2,429,642</u>
FUND BALANCES (DEFICIT)				
Nonspendable	104,000	-	-	104,000
Restricted for:				
Public safety	1,054	-	-	1,054
Highway and streets	2,882,414	-	-	2,882,414
Community development	360,233	-	-	360,233
Capital maintenance	-	-	5,036,885	5,036,885
Unassigned	<u>(508,712)</u>	<u>(9,866)</u>	<u>(605,815)</u>	<u>(1,124,393)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>2,838,989</u>	<u>(9,866)</u>	<u>4,431,070</u>	<u>7,260,193</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,205,279</u>	<u>\$ 257,766</u>	<u>\$ 5,039,869</u>	<u>\$ 11,502,914</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Licenses and permits	\$ 1,220	\$ -	\$ -	\$ 1,220
Intergovernmental	1,789,248	-	-	1,789,248
Use of money and property	5,478	-	7,613	13,091
Charges for services	426,078	-	145,689	571,767
Loan repayments	49,899	-	-	49,899
Miscellaneous	<u>7,162</u>	<u>-</u>	<u>3,052</u>	<u>10,214</u>
Total revenues	<u>2,279,085</u>	<u>-</u>	<u>156,354</u>	<u>2,435,439</u>
EXPENDITURES				
Current:				
General government	-	1,831	971	2,802
Highway and streets	1,109,257	-	451	1,109,708
Community development	365,312	-	-	365,312
Capital outlay	268,491	-	252,840	521,331
Debt service:				
Principal	157,500	156,116	102,408	416,024
Interest	<u>2,048</u>	<u>226,701</u>	<u>49,482</u>	<u>278,231</u>
Total expenditures	<u>1,902,608</u>	<u>384,648</u>	<u>406,152</u>	<u>2,693,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>376,477</u>	<u>(384,648)</u>	<u>(249,798)</u>	<u>(257,969)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,588,928	382,816	154,061	2,125,805
Transfers out	<u>(1,912,159)</u>	<u>-</u>	<u>(2,171)</u>	<u>(1,914,330)</u>
Total other financing sources (uses)	<u>(323,231)</u>	<u>382,816</u>	<u>151,890</u>	<u>211,475</u>
Net changes in fund balances	<u>53,246</u>	<u>(1,832)</u>	<u>(97,908)</u>	<u>(46,494)</u>
Fund balances (deficit), beginning of year	2,785,743	(8,034)	4,497,788	7,275,497
Prior period adjustments	<u>-</u>	<u>-</u>	<u>31,190</u>	<u>31,190</u>
Fund balances (deficit), beginning of year, restated	<u>2,785,743</u>	<u>(8,034)</u>	<u>4,528,978</u>	<u>7,306,687</u>
Fund balances (deficit), end of year	<u>\$ 2,838,989</u>	<u>\$ (9,866)</u>	<u>\$ 4,431,070</u>	<u>\$ 7,260,193</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015**

	State Gas Tax	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District	Transit System
ASSETS						
Cash and investments	\$ 271,712	\$ 198,756	\$ -	\$ 1,038,525	\$ 999,601	\$ -
Accounts receivable	-	-	241,655	91,106	149,756	327,142
Notes receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	242,677	-	-
Land held for resale	-	-	-	-	-	-
Total assets	<u>\$ 271,712</u>	<u>\$ 198,756</u>	<u>\$ 241,655</u>	<u>\$ 1,372,308</u>	<u>\$ 1,149,357</u>	<u>\$ 327,142</u>
LIABILITIES						
Accounts payable	\$ 14,750	\$ -	\$ 11,078	\$ -	\$ 3,863	\$ 36,855
Deposits	-	-	-	-	-	9,062
Due to other funds	-	-	242,677	-	-	217,700
Total liabilities	<u>14,750</u>	<u>-</u>	<u>253,755</u>	<u>-</u>	<u>3,863</u>	<u>263,617</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	225,573	91,106	-	286,505
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>225,573</u>	<u>91,106</u>	<u>-</u>	<u>286,505</u>
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted for:						
Public safety	-	-	-	-	-	-
Highway and streets	256,962	198,756	-	1,281,202	1,145,494	-
Community development	-	-	-	-	-	-
Unassigned	-	-	(237,673)	-	-	(222,980)
Total fund balances (deficit)	<u>256,962</u>	<u>198,756</u>	<u>(237,673)</u>	<u>1,281,202</u>	<u>1,145,494</u>	<u>(222,980)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 271,712</u>	<u>\$ 198,756</u>	<u>\$ 241,655</u>	<u>\$ 1,372,308</u>	<u>\$ 1,149,357</u>	<u>\$ 327,142</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015**

	Public Safety Grants	HOME Grants	Home Investments Program Grants	EDBG Grants	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
ASSETS							
Cash and investments	\$ -	\$ -	\$ 3,011	\$ 364,639	\$ -	\$ -	\$ 2,876,244
Accounts receivable	50,000	296,241	-	-	-	-	1,155,900
Notes receivable, net	-	-	1,514,966	234,058	-	77,434	1,826,458
Due from other funds	-	-	-	-	-	-	242,677
Land held for resale	-	-	-	-	-	104,000	104,000
Total assets	\$ 50,000	\$ 296,241	\$ 1,517,977	\$ 598,697	\$ -	\$ 181,434	\$ 6,205,279
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ -	\$ 294,597	824	\$ 6,593	\$ -	\$ -	\$ 368,560
Unearned revenues	-	-	-	-	-	-	9,062
Due to other funds	48,946	4,144	-	-	-	45,559	559,026
Total liabilities	48,946	298,741	824	6,593	-	45,559	936,648
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	-	1,514,966	234,058	-	77,434	2,429,642
Total deferred inflows of resources	-	-	1,514,966	234,058	-	77,434	2,429,642
FUND BALANCES (DEFICIT)							
Nonspendable	-	-	-	-	-	104,000	104,000
Restricted for:							
Public safety	1,054	-	-	-	-	-	1,054
Highway and streets	-	-	-	-	-	-	2,882,414
Community development	-	-	2,187	358,046	-	-	360,233
Unassigned	-	(2,500)	-	-	-	(45,559)	(508,712)
Total fund balances (deficit)	1,054	(2,500)	2,187	358,046	-	58,441	2,838,989
Total liabilities, deferred inflows of resources, and fund balances	\$ 50,000	\$ 296,241	\$ 1,517,977	\$ 598,697	\$ -	\$ 181,434	\$ 6,205,279

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	State Gas Tax	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District	Transit System
REVENUES						
Licenses and permits	\$ -	\$ -	\$ 1,220	\$ -	\$ -	\$ -
Intergovernmental	397,259	-	369,434	284,533	-	271,114
Use of money and property	934	326	423	1,820	1,366	-
Charges for services	-	-	-	-	402,569	23,509
Loan repayments	-	-	-	-	-	-
Miscellaneous	-	-	4,605	-	-	2,557
Total revenues	398,193	326	375,682	286,353	403,935	297,180
EXPENDITURES						
Current:						
Highway and streets	-	-	493,937	-	213,070	402,250
Community Development	-	-	-	-	-	-
Capital outlay	-	28,382	144,594	77,962	15,980	594
Debt service:						
Principal	-	-	-	157,500	-	-
Interest	-	-	-	2,048	-	-
Total expenditures	-	28,382	638,531	237,510	229,050	402,844
Excess (deficiency) of revenues over (under) expenditures	398,193	(28,056)	(262,849)	48,843	174,885	(105,664)
OTHER FINANCING SOURCES (USES)						
Transfers in	573,519	-	1,015,409	-	-	-
Transfers out	(1,015,409)	-	(725,409)	-	-	-
Total other financing sources (uses)	(441,890)	-	290,000	-	-	-
Net change in fund balances	(43,697)	(28,056)	27,151	48,843	174,885	(105,664)
Fund balances (deficit), beginning of year	300,659	226,812	(264,824)	1,232,359	970,609	(117,316)
Fund balances (deficit), end of year	\$ 256,962	\$ 198,756	\$ (237,673)	\$ 1,281,202	\$ 1,145,494	\$ (222,980)

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Public Safety Grants	HOME Grants	Home Investments Program Grants	EDBG Grants	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
REVENUES							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,220
Intergovernmental	126,572	300,616	39,720	-	-	-	1,789,248
Use of money and property	1	1	-	607	-	-	5,478
Charges for services	-	-	-	-	-	-	426,078
Loan repayments	-	-	-	49,899	-	-	49,899
Miscellaneous	-	-	-	-	-	-	7,162
Total revenues	126,573	300,617	39,720	50,506	-	-	2,279,085
EXPENDITURES							
Current:							
Highway and streets	-	-	-	-	-	-	1,109,257
Community Development	-	301,106	37,533	26,673	-	-	365,312
Capital outlay	979	-	-	-	-	-	268,491
Debt service:							
Principal	-	-	-	-	-	-	157,500
Interest	-	-	-	-	-	-	2,048
Total expenditures	979	301,106	37,533	26,673	-	-	1,902,608
Excess (deficiency) of revenues over (under) expenditures	<u>125,594</u>	<u>(489)</u>	<u>2,187</u>	<u>23,833</u>	<u>-</u>	<u>-</u>	<u>376,477</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	1,588,928
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(71,336)</u>	<u>(5)</u>	<u>-</u>	<u>(1,912,159)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(71,336)</u>	<u>(5)</u>	<u>-</u>	<u>(323,231)</u>
Net change in fund balances	25,594	(489)	2,187	(47,503)	(5)	-	53,246
Fund balances (deficit), beginning of year	<u>(24,540)</u>	<u>(2,011)</u>	<u>-</u>	<u>405,549</u>	<u>5</u>	<u>58,441</u>	<u>2,785,743</u>
Fund balances (deficit), end of year	\$ 1,054	\$ (2,500)	\$ 2,187	\$ 358,046	\$ -	\$ 58,441	\$ 2,838,989

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2015**

	<u>Debt Service Fund</u>
ASSETS	
Restricted cash and investments	\$ <u>257,766</u>
Total assets	\$ <u>257,766</u>
LIABILITIES	
Due to other funds	\$ <u>267,632</u>
Total liabilities	<u>267,632</u>
FUND BALANCE (DEFICIT)	
Unassigned	<u>(9,866)</u>
Total fund balance (deficit)	<u>(9,866)</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u><u>257,766</u></u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Debt Service Fund</u>
REVENUES	
Use of money and property	\$ -
Total revenues	<u>-</u>
EXPENDITURES	
Current:	
General government	1,831
Debt service:	
Principal	156,116
Interest	<u>226,701</u>
Total expenditures	<u>384,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(384,648)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>382,816</u>
Total other financing sources (uses)	<u>382,816</u>
Net change in fund balance	(1,832)
Fund balance (deficit), beginning of year	<u>(8,034)</u>
Fund balance (deficit), end of year	<u>\$ (9,866)</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>SR99/Ave 26 Interchange</u>	<u>SR99/Road 17 Interchange</u>	<u>Road Improvement</u>
ASSETS					
Pooled cash and investments	\$ 373,013	\$ 533,160	\$ 15,011	\$ 313,323	\$ 760,453
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 373,013</u>	<u>\$ 533,160</u>	<u>\$ 15,011</u>	<u>\$ 313,323</u>	<u>\$ 760,453</u>
LIABILITIES					
Accounts payable	\$ 1,494	\$ 1,490	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,494</u>	<u>1,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Restricted for:					
Capital maintenance	371,519	531,670	15,011	313,323	760,453
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>371,519</u>	<u>531,670</u>	<u>15,011</u>	<u>313,323</u>	<u>760,453</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 373,013</u>	<u>\$ 533,160</u>	<u>\$ 15,011</u>	<u>\$ 313,323</u>	<u>\$ 760,453</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	<u>Signalization Impact Fees</u>	<u>Waste Water System Capital</u>	<u>Park Improvements Soccer Field</u>	<u>Park Improvements Miscellaneous</u>	<u>Park Development (IF)</u>	<u>Park Grants</u>
ASSETS						
Pooled cash and investments	\$ 378,766	\$ 683,122	\$ -	\$ -	\$ -	\$ -
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 378,766</u></u>	<u><u>\$ 683,122</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,087
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,746</u>
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,833</u>
FUND BALANCES (DEFICIT)						
Restricted for:						
Capital maintenance	378,766	683,122	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,833)</u>
Total fund balances (deficit)	<u>378,766</u>	<u>683,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,833)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 378,766</u></u>	<u><u>\$ 683,122</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	Water Systems Capital	Storm Drain Capital	Public Building Impact Fees	1994 PFA Streets Improvements	Total
ASSETS					
Pooled cash and investments	\$ 192,675	\$ 1,780,394	\$ -	\$ -	\$ 5,029,917
Accounts receivable	<u>-</u>	<u>9,952</u>	<u>-</u>	<u>-</u>	<u>9,952</u>
Total assets	<u>\$ 192,675</u>	<u>\$ 1,790,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,039,869</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 39,071
Due to other funds	-	-	-	540	12,286
Advances from other funds	<u>-</u>	<u>-</u>	<u>557,442</u>	<u>-</u>	<u>557,442</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>557,442</u>	<u>540</u>	<u>608,799</u>
FUND BALANCES (DEFICIT)					
Restricted for:					
Capital maintenance	192,675	1,790,346		-	5,036,885
Unassigned	<u>-</u>	<u>-</u>	<u>(557,442)</u>	<u>(540)</u>	<u>(605,815)</u>
Total fund balances (deficit)	<u>192,675</u>	<u>1,790,346</u>	<u>(557,442)</u>	<u>(540)</u>	<u>4,431,070</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 192,675</u>	<u>\$ 1,790,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,039,869</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>SR99/Ave 26 Interchange</u>	<u>SR99/Road 17 Interchange</u>	<u>Road Improvement</u>
REVENUES					
Use of money and property	\$ 715	\$ 771	\$ 20	\$ 453	\$ 1,101
Charges for services	3,386	2,382	1,807	1,145	1,058
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,101</u>	<u>3,153</u>	<u>1,827</u>	<u>1,598</u>	<u>2,159</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Highway and streets	-	-	-	-	-
Capital outlay	159,477	2,801	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>159,477</u>	<u>2,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(155,376)</u>	<u>352</u>	<u>1,827</u>	<u>1,598</u>	<u>2,159</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(155,376)</u>	<u>352</u>	<u>1,827</u>	<u>1,598</u>	<u>2,159</u>
Fund balances (deficit), beginning of year	526,895	531,318	13,184	311,725	758,294
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year, restated	<u>526,895</u>	<u>531,318</u>	<u>13,184</u>	<u>311,725</u>	<u>758,294</u>
Fund balances (deficit), end of year	<u>\$ 371,519</u>	<u>\$ 531,670</u>	<u>\$ 15,011</u>	<u>\$ 313,323</u>	<u>\$ 760,453</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Signalization Impact Fees	Waste Water System Capital	Park Improvements Soccer Field	Park Improvements Miscellaneous	Park Development (IF)	Park Grants
REVENUES						
Use of money and property	\$ 546	\$ 983	\$ -	\$ -	\$ 70	\$ 183
Charges for services	2,346	7,148	-	-	-	-
Miscellaneous	-	-	-	-	2,867	-
Total revenues	<u>2,892</u>	<u>8,131</u>	<u>-</u>	<u>-</u>	<u>2,937</u>	<u>183</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Highway and streets	-	-	-	-	451	-
Capital outlay	-	-	-	-	-	90,562
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451</u>	<u>90,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,892</u>	<u>8,131</u>	<u>-</u>	<u>-</u>	<u>2,486</u>	<u>(90,379)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	2,171	-	-	-
Transfers out	-	-	-	-	(2,171)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,171</u>	<u>-</u>	<u>(2,171)</u>	<u>-</u>
Net change in fund balance	<u>2,892</u>	<u>8,131</u>	<u>2,171</u>	<u>-</u>	<u>315</u>	<u>(90,379)</u>
Fund balances (deficit), beginning of year	375,874	674,991	(2,177)	(229,985)	47,658	161,451
Prior period adjustments	-	-	6	229,985	(47,973)	(118,905)
Fund balances, beginning of year, restated	<u>375,874</u>	<u>674,991</u>	<u>(2,171)</u>	<u>-</u>	<u>(315)</u>	<u>42,546</u>
Fund balances (deficit), end of year	<u>\$ 378,766</u>	<u>\$ 683,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,833)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water Systems Capital</u>	<u>Storm Drain Capital</u>	<u>Public Building Impact Fees</u>	<u>1994 PFA Streets Improvements</u>	<u>Total</u>
REVENUES					
Use of money and property	\$ 272	\$ 2,499	\$ -	\$ -	\$ 7,613
Charges for services	6,934	118,020	1,463	-	145,689
Miscellaneous	<u>-</u>	<u>185</u>	<u>-</u>	<u>-</u>	<u>3,052</u>
Total revenues	<u>7,206</u>	<u>120,704</u>	<u>1,463</u>	<u>-</u>	<u>156,354</u>
EXPENDITURES					
Current:					
General government	-	971	-	-	971
Highway and streets	-	-	-	-	451
Capital outlay	-	-	-	-	252,840
Debt service:					
Principal	-	-	-	102,408	102,408
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,482</u>	<u>49,482</u>
Total expenditures	<u>-</u>	<u>971</u>	<u>-</u>	<u>151,890</u>	<u>406,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,206</u>	<u>119,733</u>	<u>1,463</u>	<u>(151,890)</u>	<u>(249,798)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	151,890	154,061
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,171)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,890</u>	<u>151,890</u>
Net change in fund balances	<u>7,206</u>	<u>119,733</u>	<u>1,463</u>	<u>-</u>	<u>(97,908)</u>
Fund balances (deficit), beginning of year	185,469	1,702,536	(558,905)	(540)	4,497,788
Prior period adjustments	<u>-</u>	<u>(31,923)</u>	<u>-</u>	<u>-</u>	<u>31,190</u>
Fund balances, beginning of year, restated	<u>185,469</u>	<u>1,670,613</u>	<u>(558,905)</u>	<u>(540)</u>	<u>4,528,978</u>
Fund balances (deficit), end of year	<u>\$ 192,675</u>	<u>\$ 1,790,346</u>	<u>\$ (557,442)</u>	<u>\$ (540)</u>	<u>\$ 4,431,070</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 99,281	\$ -	\$ 99,281
Accounts receivable, net	10,490	28,360	38,850
Prepaid items	<u>-</u>	<u>2,533</u>	<u>2,533</u>
Total current assets	<u>109,771</u>	<u>30,893</u>	<u>140,664</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	154,208	452,951	607,159
Depreciable, net of accumulated depreciation	<u>116,291</u>	<u>209,227</u>	<u>325,518</u>
Total noncurrent assets	<u>270,499</u>	<u>662,178</u>	<u>932,677</u>
Total assets	<u>380,270</u>	<u>693,071</u>	<u>1,073,341</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	3,248	1,212	4,460
Deferred outflows of resources from pensions	<u>1,578</u>	<u>1,044</u>	<u>2,622</u>
Total deferred outflows of resources	<u>4,826</u>	<u>2,256</u>	<u>7,082</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,410	35	1,445
Due to other funds	-	62,306	62,306
Unearned revenue	<u>-</u>	<u>9,095</u>	<u>9,095</u>
Total current liabilities	<u>1,410</u>	<u>71,436</u>	<u>72,846</u>
Noncurrent liabilities:			
Net pension liability	<u>41,904</u>	<u>21,119</u>	<u>63,023</u>
Total noncurrent liabilities	<u>41,904</u>	<u>21,119</u>	<u>63,023</u>
Total liabilities	<u>43,314</u>	<u>92,555</u>	<u>135,869</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>6,670</u>	<u>2,489</u>	<u>9,159</u>
Total deferred outflows of resources	<u>6,670</u>	<u>2,489</u>	<u>9,159</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	270,499	662,178	932,677
Unrestricted	<u>64,613</u>	<u>(61,895)</u>	<u>2,718</u>
Total net position (deficit)	<u>\$ 335,112</u>	<u>\$ 600,283</u>	<u>\$ 935,395</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 161,779	\$ 30,342	\$ 192,121
Miscellaneous	<u>120</u>	<u>-</u>	<u>120</u>
Total operating revenues	<u>161,899</u>	<u>30,342</u>	<u>192,241</u>
Operating expenses:			
Personnel services	38,878	10,821	49,699
Materials, supplies and services	41,325	13,504	54,829
Depreciation	<u>6,349</u>	<u>14,683</u>	<u>21,032</u>
Total operating expenses	<u>86,552</u>	<u>39,008</u>	<u>125,560</u>
Operating income (loss)	<u>75,347</u>	<u>(8,666)</u>	<u>66,681</u>
Nonoperating revenues (expenses):			
Interest income	94	-	94
Taxes	-	7,411	7,411
Grants	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total nonoperating revenues (expenses)	<u>94</u>	<u>17,411</u>	<u>17,505</u>
Income (loss) before transfers	<u>75,441</u>	<u>8,745</u>	<u>84,186</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total other financing sources (uses)	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Change in net position	<u>75,441</u>	<u>9,745</u>	<u>85,186</u>
Net position (deficit), beginning of year	26,363	(65,171)	(38,808)
Prior period adjustments	276,848	676,860	953,708
Change in accounting principle	<u>(43,540)</u>	<u>(21,151)</u>	<u>(64,691)</u>
Net assets, beginning of year, restated	<u>259,671</u>	<u>590,538</u>	<u>850,209</u>
Net position (deficit), end of year	<u>\$ 335,112</u>	<u>\$ 600,283</u>	<u>\$ 935,395</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 169,786	\$ 19,929	\$ 189,715
Payments to suppliers	(41,869)	(13,669)	(55,538)
Payments to employees	<u>(38,670)</u>	<u>(10,620)</u>	<u>(49,290)</u>
Net cash provided by (used in) operating activities	<u>89,247</u>	<u>(4,360)</u>	<u>84,887</u>
Cash flows from noncapital financing activities:			
Grants received	-	10,000	10,000
Transfer from other funds	-	1,000	1,000
Loans to other funds	-	(14,048)	(14,048)
Taxes received	<u>-</u>	<u>7,408</u>	<u>7,408</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>4,360</u>	<u>4,360</u>
Cash flows from investing activities:			
Interest received	<u>94</u>	<u>-</u>	<u>94</u>
Net cash provided by (used in) investing activities	<u>94</u>	<u>-</u>	<u>94</u>
Net increase (decrease) in cash and cash equivalents	89,341	-	89,341
Cash and cash equivalents, beginning of year	<u>9,940</u>	<u>-</u>	<u>9,940</u>
Cash and cash equivalents, end of year	<u>\$ 99,281</u>	<u>\$ -</u>	<u>\$ 99,281</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 75,347	\$ (8,666)	\$ 66,681
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,349	14,683	21,032
(Increase) decrease in:			
Accounts receivable	7,887	(10,413)	(2,526)
Prepaid expenses	-	(200)	(200)
Deferred outflows of resources from pensions	(4,826)	(2,256)	(7,082)
Increase (decrease) in:			
Accounts payable	(544)	35	(509)
Net pension liability	(1,636)	(32)	(1,668)
Deferred inflows of resources from pension	6,670	2,489	9,159
Net cash provided by (used in) operating activities	<u>\$ 89,247</u>	<u>\$ (4,360)</u>	<u>\$ 84,887</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 640	\$ -	\$ 58,095	\$ 58,735
Prepaid expenses	<u>-</u>	<u>-</u>	<u>45,944</u>	<u>45,944</u>
Total current assets	<u>640</u>	<u>-</u>	<u>104,039</u>	<u>104,679</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net of accumulated depreciation	<u>-</u>	<u>16,130</u>	<u>-</u>	<u>16,130</u>
Total noncurrent assets	<u>-</u>	<u>16,130</u>	<u>-</u>	<u>16,130</u>
Total assets	<u>640</u>	<u>16,130</u>	<u>104,039</u>	<u>120,809</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	15,855	32,095	-	47,950
Deferred outflows of resources from pensions	<u>1,643</u>	<u>2,092</u>	<u>-</u>	<u>3,735</u>
Total deferred outflows of resources	<u>17,498</u>	<u>34,187</u>	<u>-</u>	<u>51,685</u>
LIABILITIES				
Current liabilities:				
Accounts payable	475	13,704	26	14,205
Accrued payroll	-	-	116,725	116,725
Due to other funds	-	62,764	-	62,764
Compensated absences	<u>-</u>	<u>-</u>	<u>249,141</u>	<u>249,141</u>
Total current liabilities	<u>475</u>	<u>76,468</u>	<u>365,892</u>	<u>442,835</u>
Noncurrent liabilities:				
Net pension liability	<u>119,867</u>	<u>216,026</u>	<u>-</u>	<u>335,893</u>
Total noncurrent liabilities	<u>119,867</u>	<u>216,026</u>	<u>-</u>	<u>335,893</u>
Total liabilities	<u>120,342</u>	<u>292,494</u>	<u>365,892</u>	<u>778,728</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	<u>32,557</u>	<u>65,905</u>	<u>-</u>	<u>98,462</u>
Total deferred inflows of resources	<u>32,557</u>	<u>65,905</u>	<u>-</u>	<u>98,462</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	-	16,130	-	16,130
Unrestricted (deficit)	<u>(134,761)</u>	<u>(324,212)</u>	<u>(261,853)</u>	<u>(720,826)</u>
Total net position (deficit)	<u>\$ (134,761)</u>	<u>\$ (308,082)</u>	<u>\$ (261,853)</u>	<u>\$ (704,696)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 185,549	\$ 334,564	\$ -	\$ 520,113
Total operating revenues	<u>185,549</u>	<u>334,564</u>	<u>-</u>	<u>520,113</u>
Operating expenses:				
Personnel services	111,670	218,153	(30,505)	299,318
Materials, supplies and services	53,836	150,831	-	204,667
Depreciation	<u>-</u>	<u>624</u>	<u>-</u>	<u>624</u>
Total operating expenses	<u>165,506</u>	<u>369,608</u>	<u>(30,505)</u>	<u>504,609</u>
Change in net position	<u>20,043</u>	<u>(35,044)</u>	<u>30,505</u>	<u>15,504</u>
Net position (deficit), beginning of year	(18,020)	(19,959)	(292,358)	(330,337)
Prior period adjustments	-	-	-	-
Change in accounting principle	<u>(136,784)</u>	<u>(253,079)</u>	<u>-</u>	<u>(389,863)</u>
Net position, beginning of year, restated	<u>(154,804)</u>	<u>(273,038)</u>	<u>(292,358)</u>	<u>(720,200)</u>
Net position (deficit), end of year	<u>\$ (134,761)</u>	<u>\$ (308,082)</u>	<u>\$ (261,853)</u>	<u>\$ (704,696)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 185,549	\$ 334,564	\$ -	\$ 520,113
Payments to suppliers	(57,275)	(144,146)	15,755	(185,666)
Payments to employees	<u>(113,528)</u>	<u>(223,488)</u>	<u>30,493</u>	<u>(306,523)</u>
Net cash provided by (used in) operating activities	<u>14,746</u>	<u>(33,070)</u>	<u>46,248</u>	<u>27,924</u>
Cash flows from noncapital financing activities:				
Loan from other funds	-	49,824	-	49,824
Loan repayment to other funds	<u>(14,106)</u>	<u>-</u>	<u>-</u>	<u>(14,106)</u>
Net cash provided by (used in) noncapital financing activities	<u>(14,106)</u>	<u>49,824</u>	<u>-</u>	<u>35,718</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>-</u>	<u>(16,754)</u>	<u>-</u>	<u>(16,754)</u>
Net cash provided by (used in) related financing activities	<u>-</u>	<u>(16,754)</u>	<u>-</u>	<u>(16,754)</u>
Net increase (decrease) in cash and cash equivalents	640	-	46,248	46,888
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>11,847</u>	<u>11,847</u>
Cash and cash equivalents, end of year	<u>\$ 640</u>	<u>\$ -</u>	<u>\$ 58,095</u>	<u>\$ 58,735</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Fleet Maintenance	Information Technology	Employee Benefits	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 20,043	\$ (35,044)	\$ 30,505	\$ 15,504
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	624	-	624
(Increase) decrease in:				
Prepaid expenses	-	-	15,729	15,729
Deferred outflows of resources from pensions	(17,498)	(34,187)	-	(51,685)
Increase (decrease) in:				
Accounts payable	(3,439)	6,685	26	3,272
Accrued payroll	-	-	30,492	30,492
Compensated absences	-	-	(30,504)	(30,504)
Net pension liability	(16,917)	(37,053)	-	(53,970)
Deferred inflows of resources from pensions	32,557	65,905	-	98,462
Net cash provided by (used in) operating activities	\$ 14,746	\$ (33,070)	\$ 46,248	\$ 27,924

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Greenhills Assessment District</u>				
ASSETS				
Cash and investments	\$ 579,891	\$ 1,426,402	\$ (1,336,999)	\$ 669,294
Accounts receivable	<u>9,855</u>	<u>40,945</u>	<u>(38,800)</u>	<u>12,000</u>
Total assets	<u>\$ 589,746</u>	<u>\$ 1,467,347</u>	<u>\$ (1,375,799)</u>	<u>\$ 681,294</u>
LIABILITIES				
Agency obligations	<u>\$ 589,746</u>	<u>\$ 1,467,347</u>	<u>\$ (1,375,799)</u>	<u>\$ 681,294</u>
<u>Pheasant Run Assessment District</u>				
ASSETS				
Cash and investments	\$ 320,093	\$ 800,250	\$ (510,648)	\$ 609,695
Accounts receivable	<u>11,063</u>	<u>6,662</u>	<u>(17,725)</u>	<u>-</u>
Total assets	<u>\$ 331,156</u>	<u>\$ 806,912</u>	<u>\$ (528,373)</u>	<u>\$ 609,695</u>
LIABILITIES				
Agency obligations	<u>\$ 331,156</u>	<u>\$ 806,912</u>	<u>\$ (528,373)</u>	<u>\$ 609,695</u>
<u>Developer Deposits</u>				
ASSETS				
Cash and investments	\$ 20,976	\$ 62,550	\$ (44,790)	\$ 38,736
Accounts receivable	<u>-</u>	<u>13,647</u>	<u>(13,647)</u>	<u>-</u>
Total assets	<u>\$ 20,976</u>	<u>\$ 76,197</u>	<u>\$ (58,437)</u>	<u>\$ 38,736</u>
LIABILITIES				
Agency obligations	<u>\$ 20,976</u>	<u>\$ 76,197</u>	<u>\$ (58,437)</u>	<u>\$ 38,736</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 920,960	\$ 2,289,202	\$ (1,892,437)	\$ 1,317,725
Accounts receivable	<u>20,918</u>	<u>61,254</u>	<u>(70,172)</u>	<u>12,000</u>
Total assets	<u>\$ 941,878</u>	<u>\$ 2,350,456</u>	<u>\$ (1,962,609)</u>	<u>\$ 1,329,725</u>
LIABILITIES				
Agency obligations	<u>\$ 941,878</u>	<u>\$ 2,350,456</u>	<u>\$ (1,962,609)</u>	<u>\$ 1,329,725</u>

OTHER INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chowchilla, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
February 10, 2016

FINDINGS AND QUESTIONED COSTS

**CITY OF CHOWCHILLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015**

FINANCIAL STATEMENT FINDINGS

Finding 2014-001

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

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

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

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

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

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

Status: Implemented