

**CITY OF CHOWCHILLA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

CITY OF CHOWCHILLA
JUNE 30, 2016

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JUNE 30, 2016

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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, 2016, 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, 2016, 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.

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 58-59, schedule of the City's proportionate share of the net pension liability on page 61, and schedule of contributions on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017, on our consideration of the City of Chowchilla, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 23, 2017

BASIC FINANCIAL STATEMENTS

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CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,376,284	\$ 1,332,685	\$ 12,708,969
Restricted cash and investments	3,768,349	-	3,768,349
Accounts receivable, net	1,338,837	1,006,612	2,345,449
Notes receivable, net	21,501,739	-	21,501,739
Prepaid expenses	44,078	2,333	46,411
Land held for resale	104,000	-	104,000
Internal balances	107,672	(107,672)	-
Capital assets:			
Nondepreciable	1,086,849	2,060,557	3,147,406
Depreciable, net of accumulated depreciation	<u>15,307,615</u>	<u>10,637,258</u>	<u>25,944,873</u>
Total assets	<u>54,635,423</u>	<u>14,931,773</u>	<u>69,567,196</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	796,375	134,102	930,477
Deferred outflows of resources from pensions	<u>543,230</u>	<u>146,283</u>	<u>689,513</u>
Total deferred outflows of resources	<u>1,339,605</u>	<u>280,385</u>	<u>1,619,990</u>
LIABILITIES			
Accounts payable	507,965	136,806	644,771
Accrued payroll	138,866	-	138,866
Deposits	3,594	159,387	162,981
Accrued interest	1,557,100	8,323	1,565,423
Unearned revenues	-	9,096	9,096
Long-term liabilities:			
Net pension liability	6,774,820	1,257,325	8,032,145
Due within one year	854,119	80,000	934,119
Due in more than one year	<u>22,572,886</u>	<u>963,151</u>	<u>23,536,037</u>
Total liabilities	<u>32,409,350</u>	<u>2,614,088</u>	<u>35,023,438</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>665,135</u>	<u>109,741</u>	<u>774,876</u>
Total deferred inflows of resources	<u>665,135</u>	<u>109,741</u>	<u>774,876</u>
NET POSITION			
Net investment in capital assets	5,727,680	11,654,664	17,382,344
Restricted for:			
Public safety	19,598	-	19,598
Highway and streets	3,856,453	-	3,856,453
Community development	2,481,495	-	2,481,495
Capital maintenance	5,311,534	-	5,311,534
Unrestricted	<u>5,503,783</u>	<u>833,665</u>	<u>6,337,448</u>
Total net position	<u>\$ 22,900,543</u>	<u>\$ 12,488,329</u>	<u>\$ 35,388,872</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, 2016**

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
General government	\$ 1,426,212	\$ 985,103	\$ 10,445	\$ -
Public safety	3,181,416	81,298	346,068	-
Highways and streets	1,741,398	499,139	1,255,939	60,333
Culture and recreation	279,042	(5,305)	68,823	-
Community development	88,296	3,700	23,481	-
Interest and fiscal charges	<u>916,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>7,633,173</u>	<u>1,563,935</u>	<u>1,704,756</u>	<u>60,333</u>
Business-type activities:				
Water	1,916,493	2,075,709	-	-
Solid waste	1,487,889	1,338,167	-	-
Sewer	1,018,885	1,399,920	-	-
Airport	47,526	18,458	10,000	-
Storm drain	<u>189,768</u>	<u>94,993</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>4,660,561</u>	<u>4,927,247</u>	<u>10,000</u>	<u>-</u>
Total	<u>\$ 12,293,734</u>	<u>\$ 6,491,182</u>	<u>\$ 1,714,756</u>	<u>\$ 60,333</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 and transfers

Change in net position

Net position, beginning of year, as restated

Net position, end of year

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (430,664)	\$ -	\$ (430,664)
(2,754,050)	-	(2,754,050)
74,013	-	74,013
(215,524)	-	(215,524)
(61,115)	-	(61,115)
<u>(916,809)</u>	<u>-</u>	<u>(916,809)</u>
 <u>(4,304,149)</u>	 <u>-</u>	 <u>(4,304,149)</u>
-	159,216	159,216
-	(149,722)	(149,722)
-	381,035	381,035
-	(19,068)	(19,068)
<u>-</u>	<u>(94,775)</u>	<u>(94,775)</u>
 <u>-</u>	 <u>276,686</u>	 <u>276,686</u>
 <u>(4,304,149)</u>	 <u>276,686</u>	 <u>(4,027,463)</u>
 1,772,667	 8,354	 1,781,021
1,604,258	-	1,604,258
291,074	-	291,074
262,827	-	262,827
21,824	-	21,824
1,738,811	-	1,738,811
480,538	3,787	484,325
122,257	-	122,257
303,495	3,658	307,153
40,958	-	40,958
<u>(1,000)</u>	<u>1,000</u>	<u>-</u>
 <u>6,637,709</u>	 <u>16,799</u>	 <u>6,654,508</u>
 2,333,560	 293,485	 2,627,045
<u>20,566,983</u>	<u>12,194,844</u>	<u>32,761,827</u>
 <u>\$ 22,900,543</u>	 <u>\$ 12,488,329</u>	 <u>\$ 35,388,872</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, 2016**

	General	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,463,823	\$ 407,165	\$ 964,168	\$ 8,443,519	\$ 11,278,675
Restricted cash and investments	369,740	-	3,133,842	264,767	3,768,349
Accounts receivable	837,402	-	3,862	497,018	1,338,282
Notes receivable, net	-	19,801,421	-	1,700,318	21,501,739
Due from other funds	602,147	-	-	-	602,147
Prepaid expenses	1,122	-	-	-	1,122
Land held for resale	-	-	-	104,000	104,000
Advances to other funds	544,730	-	-	-	544,730
	<u>544,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>544,730</u>
Total assets	<u>\$ 3,818,964</u>	<u>\$ 20,208,586</u>	<u>\$ 4,101,872</u>	<u>\$ 11,009,622</u>	<u>\$ 39,139,044</u>
LIABILITIES					
Accounts payable	\$ 388,232	\$ 2,688	\$ 1,221	\$ 109,550	\$ 501,691
Deposits	3,500	-	-	94	3,594
Due to other funds	-	-	-	504,151	504,151
Advances from other funds	-	-	-	544,730	544,730
	<u>-</u>	<u>-</u>	<u>-</u>	<u>544,730</u>	<u>544,730</u>
Total liabilities	<u>391,732</u>	<u>2,688</u>	<u>1,221</u>	<u>1,158,525</u>	<u>1,554,166</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>188,439</u>	<u>19,801,421</u>	<u>3,862</u>	<u>2,084,801</u>	<u>22,078,523</u>
Total deferred inflows of resources	<u>188,439</u>	<u>19,801,421</u>	<u>3,862</u>	<u>2,084,801</u>	<u>22,078,523</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenses	1,122	-	-	-	1,122
Land held for resale	-	-	-	104,000	104,000
Long-term receivable	544,730	-	-	-	544,730
Restricted for:					
Public safety	-	-	-	1,056	1,056
Highway and streets	-	-	962,947	2,765,501	3,728,448
Community development	-	404,477	-	395,692	800,169
Capital maintenance	-	-	-	5,299,039	5,299,039
Construction projects	-	-	2,551,665	-	2,551,665
Debt service	369,740	-	582,177	-	951,917
Committed to:					
Emergency contingency	910,223	-	-	-	910,223
Construction projects	230,615	-	-	-	230,615
Assigned to:					
Public safety	37,056	-	-	-	37,056
Culture and recreation	3,697	-	-	-	3,697
Unassigned	<u>1,141,610</u>	<u>-</u>	<u>-</u>	<u>(798,992)</u>	<u>342,618</u>
Total fund balances	<u>3,238,793</u>	<u>404,477</u>	<u>4,096,789</u>	<u>7,766,296</u>	<u>15,506,355</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,818,964</u>	<u>\$ 20,208,586</u>	<u>\$ 4,101,872</u>	<u>\$ 11,009,622</u>	<u>\$ 39,139,044</u>

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, 2016**

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

Total fund balances - governmental funds	\$ 15,506,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,379,451
Pension related deferrals:	
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position	746,982
Deferred outflows of resources	492,844
Deferred inflows of resources	(624,823)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds and loans payable	(23,131,664)
Net pension liability	(6,311,718)
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.	(1,557,100)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	22,078,523
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(678,307)</u>
Net position of governmental activities	<u>\$ 22,900,543</u>

CITY OF CHOWCHILLA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,277,770	\$ -	\$ 580,307	\$ -	\$ 3,858,077
Licenses and permits	665,307	-	-	1,125	666,432
Fines and penalties	36,996	-	-	-	36,996
Intergovernmental revenues	2,035,590	17,755	-	1,816,117	3,869,462
Use of money and property	110,739	903	20,396	22,740	154,778
Charges for services	-	3,529	-	641,227	644,756
Loan repayments	32,669	3,700	-	63,426	99,795
Miscellaneous	229,159	-	10,540	28,023	267,722
Total revenues	6,388,230	25,887	611,243	2,572,658	9,598,018
EXPENDITURES					
Current:					
General government	1,307,092	-	26,301	2,641	1,336,034
Public safety	3,253,086	-	-	-	3,253,086
Highways and streets	151,783	-	-	1,082,757	1,234,540
Culture and recreation	239,852	-	-	-	239,852
Community Development	28,013	20,028	-	40,255	88,296
Capital outlay	282,052	-	-	138,984	421,036
Debt service:					
Principal	-	-	190,000	620,656	810,656
Interest	-	-	369,041	260,866	629,907
Total expenditures	5,261,878	20,028	585,342	2,146,159	8,013,407
Excess (deficiency) of revenues over (under) expenditures	1,126,352	5,859	25,901	426,499	1,584,611
OTHER FINANCING SOURCES (USES)					
Transfers in	134,267	59,800	-	1,281,563	1,475,630
Transfers out	(579,255)	-	-	(897,375)	(1,476,630)
Proceeds from sales of capital assets	200,650	-	-	-	200,650
Total other financing sources (uses)	(244,338)	59,800	-	384,188	199,650
Net change in fund balances	882,014	65,659	25,901	810,687	1,784,261
Fund balances, beginning of year, restated	2,356,779	338,818	4,070,888	6,955,609	13,722,094
Fund balances, end of year	\$ 3,238,793	\$ 404,477	\$ 4,096,789	\$ 7,766,296	\$ 15,506,355

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, 2016**

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

Net change in fund balances - total governmental funds	\$ 1,784,261
<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	401,160
Depreciation expense	(769,887)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.</p>	(5,758)
<p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities.</p>	746,982
<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	810,656
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	(286,902)
<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>	(469,492)
<p>New loans made included in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as expenses in governmental funds.</p>	
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	168,868
<p>The net revenue of certain activities of the internal service funds is reported with governmental activities.</p>	<u>(39,006)</u>
Change in net position of governmental activities	<u>\$ 2,333,560</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds	
ASSETS						
Current assets:						
Cash and investments	\$ 564,522	\$ 11,697	\$ 682,714	\$ 73,752	\$ 1,332,685	\$ 97,609
Accounts receivable, net	744,026	109,142	134,899	18,545	1,006,612	555
Prepaid expenses	-	-	-	2,333	2,333	42,956
Total current assets	1,308,548	120,839	817,613	94,630	2,341,630	141,120
Noncurrent assets:						
Capital assets:						
Nondepreciable	119,064	-	1,334,334	607,159	2,060,557	-
Depreciable, net of accumulated depreciation	6,069,111	-	4,263,658	304,489	10,637,258	15,013
Total noncurrent assets	6,188,175	-	5,597,992	911,648	12,697,815	15,013
Total assets	7,496,723	120,839	6,415,605	1,006,278	15,039,445	156,133
DEFERRED OUTFLOWS OF RESOURCES						
Contributions to pension plan in current fiscal year	59,684	7,380	52,097	14,941	134,102	49,393
Deferred outflows of resources from pensions	64,983	7,338	57,583	16,379	146,283	50,386
Total deferred outflows of resources	124,667	14,718	109,680	31,320	280,385	99,779
LIABILITIES						
Current liabilities:						
Accounts payable	13,681	82,402	34,802	5,921	136,806	6,274
Accrued payroll	-	-	-	-	-	138,866
Deposits	159,387	-	-	-	159,387	-
Due to other funds	-	-	-	35,748	35,748	62,248
Accrued interest	7,284	-	1,039	-	8,323	-
Unearned revenue	-	-	-	9,096	9,096	-
Compensated absences	-	-	-	-	-	222,865
Current portion of long-term debt	65,000	-	15,000	-	80,000	-
Total current liabilities	245,352	82,402	50,841	50,765	429,360	430,253
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	72,476
Net pension liability	559,588	69,197	488,457	140,083	1,257,325	463,102
Long-term debt	883,151	-	80,000	-	963,151	-
Total noncurrent liabilities	1,442,739	69,197	568,457	140,083	2,220,476	535,578
Total liabilities	1,688,091	151,599	619,298	190,848	2,649,836	965,831
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources from pensions	48,716	6,303	42,526	12,196	109,741	40,312
Total deferred inflows of resources	48,716	6,303	42,526	12,196	109,741	40,312
NET POSITION (DEFICIT)						
Net investment in capital assets	5,240,024	-	5,502,992	911,648	11,654,664	15,013
Unrestricted	644,559	(22,345)	360,469	(77,094)	905,589	(765,244)
Total net position (deficit)	\$ 5,884,583	\$ (22,345)	\$ 5,863,461	\$ 834,554	12,560,253	\$ (750,231)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					(71,924)	
Net position of business-type activities					<u>\$ 12,488,329</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, 2016**

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,951,288	\$ 1,336,134	\$ 1,377,810	\$ 113,451	\$ 559,402
Miscellaneous	124,655	2,033	22,110	3,424	5,482
Total operating revenues	<u>2,075,943</u>	<u>1,338,167</u>	<u>1,399,920</u>	<u>116,875</u>	<u>564,884</u>
Operating expenses:					
Personnel services	322,630	98,495	254,076	161,604	416,989
Materials, supplies and services	1,320,101	1,389,394	594,517	54,660	192,368
Depreciation	249,224	-	165,421	21,030	1,117
Total operating expenses	<u>1,891,955</u>	<u>1,487,889</u>	<u>1,014,014</u>	<u>237,294</u>	<u>610,474</u>
Operating income (loss)	<u>183,988</u>	<u>(149,722)</u>	<u>385,906</u>	<u>(120,419)</u>	<u>(45,590)</u>
Nonoperating revenues (expenses):					
Interest income	1,488	768	1,307	224	55
Taxes	-	-	-	8,354	-
Grants	-	-	-	10,000	-
Interest expense	(18,009)	-	(4,871)	-	-
Total nonoperating revenues (expenses)	<u>(16,521)</u>	<u>768</u>	<u>(3,564)</u>	<u>18,578</u>	<u>55</u>
Income (loss) before transfers	<u>167,467</u>	<u>(148,954)</u>	<u>382,342</u>	<u>(101,841)</u>	<u>(45,535)</u>
Other financing sources (uses):					
Transfers in	-	-	-	1,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Change in net position	167,467	(148,954)	382,342	(100,841)	(45,535)
Net position (deficit), beginning of year	<u>5,717,116</u>	<u>126,609</u>	<u>5,481,119</u>	<u>935,395</u>	<u>(704,696)</u>
Net position (deficit), end of year	<u>\$ 5,884,583</u>	<u>\$ (22,345)</u>	<u>\$ 5,863,461</u>	<u>\$ 834,554</u>	<u>\$ (750,231)</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(6,529)	
Changes in net position of business-type activities				<u>\$ 293,485</u>	

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

CITY OF CHOWCHILLA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental	
	Water	Solid Waste	Sewer	Other Enterprise Funds	Internal Service Funds	
				Total		
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,926,046	\$ 1,333,205	\$ 1,369,869	\$ 133,756	\$ 4,762,876	\$ 559,402
Payments to suppliers	(1,350,183)	(1,374,310)	(568,720)	(49,984)	(3,343,197)	(175,725)
Payments to employees	(460,690)	(61,577)	(392,427)	(105,745)	(1,020,439)	(349,824)
Other operating revenues	124,655	2,033	22,110	3,424	152,222	5,482
Net cash provided by (used in) operating activities	239,828	(100,649)	430,832	(18,549)	551,462	39,335
Cash flows from noncapital financing activities:						
Grants received	-	-	-	10,000	10,000	-
Transfer from other funds	-	-	-	1,000	1,000	-
Loans from other funds	-	-	-	(26,558)	(26,558)	(516)
Taxes received	-	-	-	8,354	8,354	-
Net cash provided by (used in) noncapital financing activities	-	-	-	(7,204)	(7,204)	(516)
Cash flows from capital and related financing activities:						
Proceeds from long-term debt	-	-	-	-	-	-
Principal paid	(60,000)	-	(93,553)	-	(153,553)	-
Interest paid	(19,032)	-	(6,900)	-	(25,932)	-
Grants received	-	-	-	-	-	-
Acquisition of capital assets	(256)	-	(32,213)	-	(32,469)	-
Net cash provided by (used in) capital and related financing activities	(79,288)	-	(132,666)	-	(211,954)	-
Cash flows from investing activities:						
Interest received	1,488	768	1,307	-	3,563	55
Rents received	-	-	-	224	224	-
Net cash provided by (used in) investing activities	1,488	768	1,307	224	3,787	55
Net increase (decrease) in cash and cash equivalents	162,028	(99,881)	299,473	(25,529)	336,091	38,874
Cash and cash equivalents, beginning of year	402,494	111,578	383,241	99,281	996,594	58,735
Cash and cash equivalents, end of year	\$ 564,522	\$ 11,697	\$ 682,714	\$ 73,752	\$ 1,332,685	\$ 97,609

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, 2016**

	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)	\$ 183,988	\$ (149,722)	\$ 385,906	\$ (120,419)	\$ 299,753	\$ (45,590)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	249,224	-	165,421	21,029	435,674	1,117
(Increase) decrease in:						
Accounts receivable	(2,466)	(2,929)	(7,941)	20,306	6,970	(555)
Prepaid expenses	-	-	-	200	200	2,988
Deferred outflows of resources from pensions	(45,797)	(10,475)	(40,755)	(24,238)	(121,265)	(48,094)
Increase (decrease) in:						
Accounts payable and other liabilities	(30,082)	15,084	25,797	4,476	15,275	14,210
Deposits	(22,017)	-	-	-	(22,017)	-
Unearned revenue	(759)	-	-	-	(759)	-
Compensated absences	-	-	-	-	-	46,200
Net pension liability	(1,736)	49,856	(21,054)	77,060	104,126	127,209
Deferred inflows of resources from pension	(90,527)	(2,463)	(76,542)	3,037	(166,495)	(58,150)
Net cash provided by (used in) operating activities	<u>\$ 239,828</u>	<u>\$ (100,649)</u>	<u>\$ 430,832</u>	<u>\$ (18,549)</u>	<u>\$ 551,462</u>	<u>\$ 39,335</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, 2016**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
ASSETS		
Cash and investments (in City investment pool)	\$ 794,554	\$ 57,340
Restricted cash and investments (held by bond trustee)	463,910	549,651
Accounts receivable (net)	158,331	-
Prepaid expenses	-	33,335
Land held for resale	-	338,000
Notes receivable (net)	-	43,750
Capital assets:		
Nondepreciable	-	272,029
Depreciable, net of accumulated depreciation	-	<u>1,389,556</u>
 Total assets	 <u>\$ 1,416,795</u>	 <u>\$ 2,683,661</u>
LIABILITIES		
Accounts payable	\$ -	\$ 653
Accrued interest	-	138,177
Long-term debt due within one year	-	185,000
Long-term debt due in more than one year	-	6,587,495
Agency obligations	<u>1,416,795</u>	<u>-</u>
 Total liabilities	 <u>\$ 1,416,795</u>	 <u>6,911,325</u>
NET POSITION		
Held in trust for Successor Agency activities		<u>\$ (4,227,664)</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, 2016**

	Successor Agency Trust Fund
ADDITIONS	
Taxes	\$ 662,074
Use of money and property	<u>467</u>
Total additions	<u>662,541</u>
DEDUCTIONS	
Administrative expenses	158,304
Interest	333,217
Depreciation	29,002
Amortization	<u>1,875</u>
Total deductions	<u>522,398</u>
Change in net position	140,143
Net position, beginning of year	<u>(4,367,807)</u>
Net position, ending of year	<u>\$ (4,227,664)</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, 2016

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, 2016

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, 2016**

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, 2016

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, 2016**

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, 2016**

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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations

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

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

Pensions

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

Interest Payable

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

Unearned Revenue

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

Unavailable Revenue

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Transfers

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

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

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

Net Position

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

- ♦ *Net investment in capital assets* – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the net position balance. 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, 2016**

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, 2016**

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 lien based on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax assessed is prorated.

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 12,708,969
Restricted cash and investments	3,768,349
Statement of Fiduciary Net Position:	
Cash and investments	851,894
Restricted cash and investments	<u>1,013,561</u>
 Total cash and investments	 <u>\$ 18,342,773</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 2,651
Deposits with financial institutions	4,536,017
Investments	<u>13,804,105</u>
 Total cash and investments	 <u>\$ 18,342,773</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's cash deposits was \$4,536,022 at June 30, 2016. Bank balances were \$4,628,264, 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	\$ 9,022,194	\$ 9,022,194	\$ -	\$ -	\$ -
Held by bond trustee:					
Treasury Obligation Fund	<u>4,781,911</u>	<u>4,781,911</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,804,105</u>	<u>\$ 13,804,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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	Ratings as of Year-End	
		AAAm	Not Rated
State investment pool	\$ 9,022,194	\$ -	\$ 9,022,194
Held by bond trustee:			
Treasury Obligation Fund	<u>4,781,911</u>	<u>4,781,911</u>	<u>-</u>
Total	<u>\$ 13,804,105</u>	<u>\$ 4,781,911</u>	<u>\$ 9,022,194</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:

\$369,740 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.

\$264,767 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.

\$3,133,843 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.

\$549,651 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.

\$267,129 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

Investments	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 inputs
Debt securities:				
Treasury Obligation Fund	\$ 4,781,911	\$ 4,781,911	\$ -	\$ -
	4,781,911	<u>4,781,911</u>	<u>-</u>	<u>-</u>
State Investment Pool	<u>9,022,194</u>			
	<u>\$ 13,804,105</u>			

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

Investment in State Investment Pool

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

Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of \$9,022,194. The total amount invested by all public agencies in LAIF at June 30, 2015 was \$22,712,084,628. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2014 was \$75,442,588,513. PMIA is not SEC-registered, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 837,402	\$ -	\$ 3,862	\$ 497,018	\$ 1,338,282
Notes receivable	-	19,801,421	-	1,842,511	21,643,932
Less: allowance for for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,193)</u>	<u>(142,193)</u>
Net receivables	<u>\$ 837,402</u>	<u>\$ 19,801,421</u>	<u>\$ 3,862</u>	<u>\$ 2,197,336</u>	<u>\$ 22,840,021</u>

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>	<u>Nonmajor Airport</u>	<u>Total</u>
Receivables:						
Accounts receivable	\$ 769,026	\$ 117,142	\$ 143,899	\$ 11,926	\$ 7,619	\$ 1,049,612
Less: allowance for for uncollectibles	<u>(25,000)</u>	<u>(8,000)</u>	<u>(9,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>(43,000)</u>
Net receivables	<u>\$ 744,026</u>	<u>\$ 109,142</u>	<u>\$ 134,899</u>	<u>\$ 10,926</u>	<u>\$ 7,619</u>	<u>\$ 1,006,612</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	\$ 1,338,837	\$ 1,006,612	\$ 2,345,449
Notes receivable, net	<u>21,501,739</u>	<u>-</u>	<u>21,501,739</u>
	<u>\$ 22,840,576</u>	<u>\$ 1,006,612</u>	<u>\$ 23,847,188</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 19,801,421
Notes receivable in Home Investment Program Grants Special Revenue Fund	1,446,999
Notes receivable in EDBG Grants Special Revenue Fund	175,885
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>77,434</u>
Total	<u>\$ 21,501,739</u>

NOTE 4 – INTERNAL BALANCES

Due to and due from balances at June 30, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 602,147	\$ -
Nonmajor Funds:		
Transit System Special Revenue Fund	-	88,282
Public Safety Grants Special Revenue Fund	-	28,949
HOME Grants Special Revenue Fund	-	740
Low and Moderate Low Income Housing Asset Fund	-	45,559
Debt Service Fund	-	265,323
Park Grants Capital Projects Fund	-	75,298
Information Technology Internal Service Fund	-	62,248
Enterprise Funds:		
Nonmajor Funds:		
Airport	<u>-</u>	<u>35,748</u>
Total	<u>\$ 602,147</u>	<u>\$ 602,147</u>

The "due from" balances of \$602,147 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, 2016 are as follows:

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 544,730	\$ -
Nonmajor Funds:		
Public Building Impact Fees	<u>-</u>	<u>544,730</u>
Total	<u>\$ 544,730</u>	<u>\$ 544,730</u>

The balance of \$544,730 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, 2016**

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2016 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 134,267 (2)	\$ 579,255 (1)
CDBG Grants Special Revenue Fund	59,800 (5)	-
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	352,010 (3)
RSTP Special Revenue Fund	-	113,297 (3)
Measure T Special Revenue Fund	-	75,840 (3)
Street and Road Fund (LTF) Special Revenue Fund	541,147 (3)	156,010 (2)
Public Safety Grants Special Revenue Fund	-	100,000 (4)
HOME Investment Program Grants	6,151 (5)	-
EDBG Grant Special Revenue Fund	-	65,951 (5)
Debt Service Funds	734,265 (1)(2)	-
Police Impact Fees	-	22,832 (4)
Fire Impact Fees	-	11,435 (4)
Enterprise Funds:		
Nonmajor Funds:		
Airport Enterprise Fund	<u>1,000 (1)</u>	<u>-</u>
 Total	 <u>\$ 1,476,630</u>	 <u>\$ 1,476,630</u>

- (1) The General Fund transferred \$1,000 to the Airport for assistance in operational costs, \$374,255 to the Debt Service Fund for the debt service payments related to the 2005 Civic Center Bond and \$204,000 to the Debt Service Fund for the final debt service payment of the PFA Public Safety bond.
- (2) The Streets & Roads (LTF) Fund transferred \$156,010 to the Debt Service Fund for debt service payments related to the PFA Streets bond.
- (3) The Gas Tax Fund transferred \$352,010 to Street and Roads (LTF) Fund for street maintenance and operational costs. The RSTP Fund transferred \$113,297 to the Street and Roads (LTF) Fund for street maintenance and operational costs. The Measure T Fund Transferred \$75,840 to the Street and Roads (LTF) Fund for street maintenance and operational costs.
- (4) The Public Safety Grants Fund transferred \$100,000 to the General Fund for operational costs associated with police department. The Police Impact Fees Fund transferred \$22,832 to the General Fund for the capital replacement of vehicles, equipment and machinery. The Fire Impact Fees Fund transferred \$11,435 to the General Fund for capital replacement of vehicles, equipment and machinery.
- (5) The EDBG Grant Fund transferred \$65,951 - \$59,800 to the CDBG Grant Fund to adjust fund balance to PI Reports and \$6,151 to the Home Grant Fund to adjust fund balance to PI Reports.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2016 was as follows:

Governmental Activities:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 563,098	\$ -	\$ -	\$ 563,098
Construction in progress	415,448	108,303	-	523,751
Total capital assets, not being depreciated	<u>978,546</u>	<u>108,303</u>	<u>-</u>	<u>1,086,849</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	3,013,712	292,857	(30,500)	3,276,069
Infrastructure	15,789,818	-	-	15,789,818
Total capital assets, being depreciated	<u>27,012,236</u>	<u>292,857</u>	<u>(30,500)</u>	<u>27,274,593</u>
Less accumulated depreciation for:				
Land improvements	(806,342)	(33,535)	-	(839,877)
Buildings and improvements	(2,137,888)	(134,498)	-	(2,272,386)
Machinery, equipment, and vehicles	(1,915,971)	(206,784)	24,742	(2,098,013)
Infrastructure	<u>(6,360,515)</u>	<u>(396,187)</u>	<u>-</u>	<u>(6,756,702)</u>
Total accumulated depreciation	<u>(11,220,716)</u>	<u>(771,004)</u>	<u>24,742</u>	<u>(11,966,978)</u>
Total capital assets being depreciated, net	<u>15,791,520</u>	<u>(478,147)</u>	<u>(5,758)</u>	<u>15,307,615</u>
Governmental activities capital assets, net	<u>\$ 16,770,066</u>	<u>\$ (369,844)</u>	<u>\$ (5,758)</u>	<u>\$ 16,394,464</u>

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

Governmental Activities:

General government	\$ 95,473
Public safety	142,041
Highways and streets	480,723
Culture and recreation	51,650
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,117</u>
Total depreciation expense - governmental activities	<u>\$ 771,004</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities ended June 30, 2016 was as follows:

Business-Type Activities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,947,728	\$ -	\$ -	\$ 1,947,728
Construction in progress	112,573	256	-	112,829
Total capital assets, not being depreciated	<u>2,060,301</u>	<u>256</u>	<u>-</u>	<u>2,060,557</u>
Capital assets, being depreciated:				
Land improvements	1,253,762	-	-	1,253,762
Buildings and improvements	2,646,600	-	-	2,646,600
Machinery, equipment, and vehicles	582,769	32,213	-	614,982
Infrastructure	14,421,235	-	-	14,421,235
Total capital assets, being depreciated	<u>18,904,366</u>	<u>32,213</u>	<u>-</u>	<u>18,936,579</u>
Less accumulated depreciation for:				
Land improvements	(592,658)	(41,664)	-	(634,322)
Buildings and improvements	(1,252,684)	(51,804)	-	(1,304,488)
Machinery, equipment, and vehicles	(292,884)	(38,010)	-	(330,894)
Infrastructure	(5,725,420)	(304,197)	-	(6,029,617)
Total accumulated depreciation	<u>(7,863,646)</u>	<u>(435,675)</u>	<u>-</u>	<u>(8,299,321)</u>
Total capital assets being depreciated, net	<u>11,040,720</u>	<u>(403,462)</u>	<u>-</u>	<u>10,637,258</u>
Governmental activities capital assets, net	<u>\$ 13,101,021</u>	<u>\$ (403,206)</u>	<u>\$ -</u>	<u>\$ 12,697,815</u>

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

Business-Type Activities:

Water	\$ 249,224
Sewer	165,421
Storm drain	6,347
Airport	<u>14,683</u>
Total depreciation expense - business-type activities	<u>\$ 435,675</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2016:

	June 30, 2015	Additions	Reductions	June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 953,368	\$ -	\$ (313,156)	\$ 640,212	\$ 113,754
2005 Civic Center Bond	4,965,000	-	(150,000)	4,815,000	160,000
2007 CFD Series Special Tax Bond	7,625,000	-	(190,000)	7,435,000	200,000
Measure T Interprogram Loan	630,000	-	(157,500)	472,500	157,500
State of California NSP Loan	9,913,215	-	-	9,913,215	-
Less: Discounts	(151,585)	-	7,322	(144,263)	-
Compensated absences	249,141	251,152	(204,952)	295,341	222,865
Total Governmental Activities Long-Term Debt	\$ 24,184,139	\$ 251,152	\$ (1,008,286)	\$ 23,427,005	\$ 854,119
Business-Type Activities:					
2000 Refunding of 1994 PFA Revenue Bonds	\$ 78,553	\$ -	\$ (78,553)	\$ -	\$ -
2001 USDA Sewer Bond	110,000	-	(15,000)	95,000	15,000
2001 Water Certificates of Participation	465,000	-	(60,000)	405,000	65,000
State Water Revolving Loan	-	543,151	-	543,151	-
Total Business-Type Activities Long-Term Debt	\$ 653,553	\$ 543,151	\$ (153,553)	\$ 1,043,151	\$ 80,000

Long-term debt payable at June 30, 2016 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	
	Principal	Interest
2017	\$ 113,754	\$ 35,876
2018	118,978	28,720
2019	129,146	21,090
2020	278,334	17,425
Total	\$ 640,212	\$ 103,111

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt payable at June 30, 2016 is comprised of the following individual issues:

2005 Civic Center Bond

In 2005, the City issued Revenue Bonds in the aggregate principal amount of \$5,890,000 to refund the 2002 \$1,900,000 Civic Center Project Private Placement Financing and to finance certain public improvements. The original amount of the note (\$5,890,000) was secured by revenues of the Public Financing Authority consisting primarily of lease payments to be received by the Authority from the City under a lease agreement dated July 1, 2005, by and between the Authority and the City which are payable from the City's general fund for lease by the City of certain real property and public facilities located in the City and then constituting the Civic Center Project. Semiannual payments range from \$7,875 to \$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
2017	\$ 160,000	\$ 206,338
2018	165,000	199,838
2019	170,000	193,138
2020	180,000	186,138
2021	185,000	178,722
2022-2026	1,050,000	766,006
2027-2031	1,295,000	510,278
2032-2036	<u>1,610,000</u>	<u>187,200</u>
Total	<u>\$ 4,815,000</u>	<u>\$ 2,427,658</u>

2007 Community Facilities District (CFD) Special Tax Bond

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

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 200,000	\$ 360,361
2018	210,000	351,136
2019	215,000	341,574
2020	225,000	331,674
2021	235,000	321,206
2022-2026	1,360,000	1,422,621
2027-2031	1,735,000	1,038,875
2032-2036	2,210,000	548,250
2037-2038	<u>1,045,000</u>	<u>52,875</u>
Total	<u>\$ 7,435,000</u>	<u>\$ 4,768,572</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM DEBT (Continued)

Measure T Interprogram Loan

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

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 157,500	\$ -
2018	157,500	-
2019	<u>157,500</u>	<u>-</u>
Total	<u>\$ 472,500</u>	<u>\$ -</u>

State of California Neighborhood Stabilization Program (NSP) Loan

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development (DHCD). The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of the AMI households in the City. The entire outstanding principal balance plus all accrued but unpaid interest is due in full on the 55th anniversary of the date of the Project's receipt of certificates of occupancy. There is no interest due on the loan; however, any program income resulting from the financing provided to Olivero Ranch will be returned to the DHCD. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2016 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM DEBT (Continued)

2001 USDA Sewer Bond

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

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

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
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>\$ 95,000</u>	<u>\$ 10,830</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
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>\$ 405,000</u>	<u>\$ 54,140</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – LONG-TERM DEBT (Continued)

State Water Revolving Loan

The City entered into a loan agreement in July 2014 with the State Water Resources Control Board for the purpose of undertaking a project which will enable the City to meet safe drinking water standards established pursuant Chapter 4 of Part 12 of Division 104 of the Health and Safety Code and the California Code of Regulations, Title 22, or to address other health concerns. The City was awarded a loan in the amount of \$3,205,991 for the purpose of installing water meters citywide. The loan is to be repaid over a 20-year period at an interest rate of 0%, which does not begin until the project is completed. The project must be completed by June 30, 2017 or an extension request will be required. As of June 30, 2016, the City has a balance of \$543,151 with no payment due since the project has not been completed.

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, 2016 is \$3,579,250.

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, 2016 is \$3,670,728.

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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:

	Major Funds					Total
	General Fund	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Nonmajor Special Revenue	Nonmajor Capital Projects	
Intergovernmental	\$ 188,439	\$ -	\$ 3,862	\$2,010,622	\$ 74,179	\$ 2,277,102
Notes	-	<u>19,801,421</u>	-	-	-	<u>19,801,421</u>
Total	<u>\$ 188,439</u>	<u>\$ 19,801,421</u>	<u>\$ 3,862</u>	<u>\$2,010,622</u>	<u>\$ 74,179</u>	<u>\$ 22,078,523</u>

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

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

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

The rate plan provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 63	52 to 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	8.000%	7.000%	6.250%
Required employer contribution rates	9.671%	6.709%	6.237%
	Safety (Police) 1st Tier	Safety (Police) 2nd Tier	Safety (Police) PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 55	2% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 to 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	1.426 % to 2.0%	1.426% to 2.0%
Required employee contribution rates	9.000%	7.000%	11.500%
Required employer contribution rates	12.055%	11.530%	9.069%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$494,674 for the fiscal year ended June 30, 2016.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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

The City’s contributions to the plan for the year ended June 30, 2016 were \$848,864.

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

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$8,032,145.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.1141%
Proportion - June 30, 2015	0.1170%
Change - Increase (Decrease)	0.0029%

For the year ended June 30, 2016, the City recognized pension expense of \$490,318. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 930,477	\$ -
Changes of assumptions	-	451,591
Differences between actual and expected experience	9,275	29,945
Net differences between projected and actual earnings on plan investments	-	227,551
Change in employer's proportion	528,960	47,476
Differences between the employer's actual contributions and the employer's proportionate share of contributions	151,278	18,313
Total	<u>\$ 1,619,990</u>	<u>\$ 774,876</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$930,477 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, 2017. 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	\$ (105,721)
2017	(113,836)
2018	(151,234)
2019	285,428
2020	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20% ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Mortality	Derived using CalPERS' Membership data for all Funds ⁽³⁾

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

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

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

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

Change of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.50 percent used the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate

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

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

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	<u>2.00%</u>	(-0.55%)	(-1.05%)
Total	<u><u>100.00%</u></u>		

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.65%	7.65%	8.65%
\$ 12,008,128	\$ 8,032,145	\$ 4,758,044

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

The City had an outstanding amount of contributions of \$20,742 due to the pension plan required for the year ended June 30, 2016.

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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 – RISK MANAGEMENT (Continued)

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, 2016:

Total assets	\$ 92,743,162
Total liabilities	<u>77,308,330</u>
Total net position	<u>\$ 15,434,832</u>
Revenues	\$ 40,220,653
Expenses	<u>37,742,471</u>
Change in net position	<u>\$ 2,478,182</u>

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

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

NOTE 12 – DEFICIT IN FUND EQUITY

Nonmajor Governmental Funds

Transit System Special Revenue Fund – A deficit in fund balance at June 30, 2016 in the amount of \$128,005 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, 2016 in the amount of \$4,844 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, 2016 in the amount of \$556 is due primarily to the fact that debt service payments during prior fiscal years exceeded funds transferred into the fund for said payments. Additional transfers will be required in the future to permanently eliminate the deficit.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – DEFICIT IN FUND EQUITY (Continued)

Park Grants – A deficit in fund balance at June 30, 2016 in the amount of \$75,298 is due to the fact that fiscal year current and prior year 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, 2016 in the amount of \$544,730, 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.

Enterprise Funds

Solid Waste Fund – A deficit in net position at June 30, 2016 in the amount of \$22,345 in the fund is primarily due to the net pension liability of \$69,197. A reduction in the net pension liability in the future years will assist in eliminating the deficit.

Internal Service Funds

Fleet Maintenance Internal Service Fund – A deficit in net position at June 30, 2016 in the amount of \$117,788 in the fund is primarily due to the net pension liability of \$151,577 recorded by the City at June 30, 2016. A reduction in the net pension liability in future years will assist in eliminating the deficit.

Information Technology Internal Service Fund – A deficit in net position at June 30, 2016 in the amount of \$324,390 in the fund is primarily due to the net pension liability of \$311,525 recorded by the City at June 30, 2016. 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, 2016, in the amount of \$308,053, exists because the fund was established on a pay-as-you go basis for the purpose of funding the annual accrued leave liability. As employees are paid for their accumulated leave in the future, the home program of the employee makes a transfer to the Employee Benefit Fund to offset the expense.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2016, 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	\$ -	\$ -	\$ 40,753
Aggregate Non-Major Funds	306,000	-	-

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

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

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

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

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

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

(Continued)

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

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

Cash and Investments

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

Cash on hand	\$ 57,340
Cash with fiscal agent	<u>549,651</u>
Total cash	<u>\$ 606,991</u>

Capital Assets

Capital assets reported in the Successor Agency Trust Fund at June 30, 2016 were comprised of the following:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
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>(31,545)</u>	<u>(29,002)</u>	<u>-</u>	<u>(60,547)</u>
Total accumulated depreciation	<u>(31,545)</u>	<u>(29,002)</u>	<u>-</u>	<u>(60,547)</u>
Total capital assets being depreciated, net	<u>1,418,558</u>	<u>(29,002)</u>	<u>-</u>	<u>1,389,556</u>
Governmental activities capital assets, net	<u>\$ 1,690,587</u>	<u>\$ (29,002)</u>	<u>\$ -</u>	<u>\$ 1,661,585</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 was comprised of the following:

	June 30, 2015	Additions	Reductions	June 30, 2016	Amounts Due Within One Year
2005 RDA Bond	\$ 6,990,000	\$ -	\$ (180,000)	\$ 6,810,000	\$ 185,000
Less: Discounts	<u>(39,380)</u>	<u>-</u>	<u>1,875</u>	<u>(37,505)</u>	<u>-</u>
Total	<u>\$ 6,950,620</u>	<u>\$ -</u>	<u>\$ (178,125)</u>	<u>\$ 6,772,495</u>	<u>\$ 185,000</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
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	220,000	290,763	510,763
2022-2026	1,270,000	1,285,588	2,555,588
2027-2031	1,605,000	938,625	2,543,625
2032-2036	1,985,000	490,875	2,475,875
2037-2038	<u>935,000</u>	<u>47,375</u>	<u>982,375</u>
Total	<u>\$ 6,810,000</u>	<u>\$ 4,310,852</u>	<u>\$ 11,120,852</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

(Continued)

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 – PRIOR PERIOD ADJUSTMENTS

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 prior year understatement of expenditures.

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 prior year overstatements and understatements of cash.

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:

	Governmental Activities	Business-Type Activities	Total
Beginning net position	\$ 20,568,527	\$ 12,194,844	\$ 32,763,371
Prior Period Adjustments:			
Understatement of prior year expenditures	<u>(1,544)</u>	<u>-</u>	<u>(1,544)</u>
Total prior period adjustments	<u>(1,544)</u>	<u>-</u>	<u>(1,544)</u>
Beginning net position, as restated	<u>\$ 20,566,983</u>	<u>\$ 12,194,844</u>	<u>\$ 32,761,827</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:

Description	Nonmajor Governmental Funds			
	General Fund	Maintenance Assessment District Fund	Measure T Fund	EDBG Grants Fund
Beginning fund balance	\$ 2,053,739	\$ 1,145,494	\$ 1,281,202	\$ 358,046
Prior period adjustments:				
Overstatement of prior year expenditures	303,040	-	1,105	-
Understatement of prior year expenditures	<u>-</u>	<u>(304,145)</u>	<u>-</u>	<u>(1,544)</u>
Total prior period adjustments	<u>303,040</u>	<u>(304,145)</u>	<u>1,105</u>	<u>(1,544)</u>
Beginning fund balance, as restated	<u>\$ 2,356,779</u>	<u>\$ 841,349</u>	<u>\$ 1,282,307</u>	<u>\$ 356,502</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,149,001	\$ 3,149,001	\$ 3,277,770	\$ 128,769
Licenses and permits	571,005	606,586	665,307	58,721
Fines and penalties	70,500	70,500	36,996	(33,504)
Intergovernmental	1,885,048	1,885,048	2,035,590	150,542
Use of money and property	80,300	103,300	110,739	7,439
Charges for services	50,410	50,410	-	(50,410)
Loan repayments	-	-	32,669	32,669
Miscellaneous	<u>141,150</u>	<u>145,175</u>	<u>229,159</u>	<u>83,984</u>
Total revenues	<u>5,947,414</u>	<u>6,010,020</u>	<u>6,388,230</u>	<u>378,210</u>
EXPENDITURES				
Current:				
General government	1,274,071	1,458,017	1,307,092	150,925
Public safety	3,604,865	3,407,673	3,253,086	154,587
Highways and streets	152,080	225,299	151,783	73,516
Culture and recreation	298,452	304,982	239,852	65,130
Community development	31,865	31,210	28,013	3,197
Capital outlay	<u>135,000</u>	<u>386,467</u>	<u>282,052</u>	<u>104,415</u>
Total expenditures	<u>5,496,333</u>	<u>5,813,648</u>	<u>5,261,878</u>	<u>551,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>451,081</u>	<u>196,371</u>	<u>1,126,352</u>	<u>929,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	106,000	190,267	134,267	(56,000)
Transfers out	(569,388)	(579,255)	(579,255)	-
Proceeds from sale of capital assets	<u>-</u>	<u>187,600</u>	<u>200,650</u>	<u>13,050</u>
Total other financing sources (uses)	<u>(463,388)</u>	<u>(201,388)</u>	<u>(244,338)</u>	<u>(42,950)</u>
Net change in fund balance	<u>\$ (12,307)</u>	<u>\$ (5,017)</u>	<u>882,014</u>	<u>\$ 887,031</u>
Fund balances, beginning of year, restated			2,356,779	
Fund balances, ending			<u>\$ 3,238,793</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 17,755	\$ 17,755
Use of money and property	250	250	903	653
Charges for services	-	3,700	3,529	(171)
Loan repayments	<u>6,000</u>	<u>6,000</u>	<u>3,700</u>	<u>(2,300)</u>
Total revenues	<u>6,250</u>	<u>9,950</u>	<u>25,887</u>	<u>15,937</u>
EXPENDITURES				
Current:				
Community development	<u>18,100</u>	<u>21,800</u>	<u>20,028</u>	<u>1,772</u>
Total expenditures	<u>18,100</u>	<u>21,800</u>	<u>20,028</u>	<u>1,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,850)</u>	<u>(11,850)</u>	<u>5,859</u>	<u>17,709</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>59,800</u>	<u>59,800</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>59,800</u>	<u>59,800</u>	<u>-</u>
Net change in fund balance	<u>\$ (11,850)</u>	<u>\$ 47,950</u>	65,659	<u>\$ 17,709</u>
Fund balances, beginning			<u>338,818</u>	
Fund balances, ending			<u>\$ 404,477</u>	

CITY OF CHOWCHILLA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

CITY OF CHOWCHILLA

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2016**

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

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

CITY OF CHOWCHILLA

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2016**

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 3,113,705	\$ -	\$ 5,329,814	\$ 8,443,519
Restricted cash and investments	-	264,767	-	264,767
Accounts receivable	413,435	-	83,583	497,018
Notes receivable, net	1,700,318	-	-	1,700,318
Land held for resale	<u>104,000</u>	<u>-</u>	<u>-</u>	<u>104,000</u>
Total assets	<u>\$ 5,331,458</u>	<u>\$ 264,767</u>	<u>\$ 5,413,397</u>	<u>\$ 11,009,622</u>
LIABILITIES				
Accounts payable	\$ 69,371	\$ -	\$ 40,179	\$ 109,550
Deposits	94	-	-	94
Due to other funds	163,530	265,323	75,298	504,151
Advances to other funds	<u>-</u>	<u>-</u>	<u>544,730</u>	<u>544,730</u>
Total liabilities	<u>232,995</u>	<u>265,323</u>	<u>660,207</u>	<u>1,158,525</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>2,010,622</u>	<u>-</u>	<u>74,179</u>	<u>2,084,801</u>
Total deferred inflows of resources	<u>2,010,622</u>	<u>-</u>	<u>74,179</u>	<u>2,084,801</u>
FUND BALANCES (DEFICIT)				
Nonspendable	104,000	-	-	104,000
Restricted for:				
Public safety	1,056	-	-	1,056
Highway and streets	2,765,501	-	-	2,765,501
Community development	395,692	-	-	395,692
Capital maintenance	-	-	5,299,039	5,299,039
Unassigned	<u>(178,408)</u>	<u>(556)</u>	<u>(620,028)</u>	<u>(798,992)</u>
Total fund balances (deficit)	<u>3,087,841</u>	<u>(556)</u>	<u>4,679,011</u>	<u>7,766,296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,331,458</u>	<u>\$ 264,767</u>	<u>\$ 5,413,397</u>	<u>\$ 11,009,622</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Licenses and permits	\$ 1,125	\$ -	\$ -	\$ 1,125
Intergovernmental	1,816,117	-	-	1,816,117
Use of money and property	8,986	-	13,754	22,740
Charges for services	353,992	-	287,235	641,227
Loan repayments	63,426	-	-	63,426
Miscellaneous	<u>19,112</u>	<u>-</u>	<u>8,911</u>	<u>28,023</u>
 Total revenues	 <u>2,262,758</u>	 <u>-</u>	 <u>309,900</u>	 <u>2,572,658</u>
EXPENDITURES				
Current:				
General government	-	1,874	767	2,641
Highway and streets	1,082,757	-	-	1,082,757
Community development	40,255	-	-	40,255
Capital outlay	111,519	-	27,465	138,984
Debt service:				
Principal	157,500	463,156	-	620,656
Interest	<u>1,481</u>	<u>259,385</u>	<u>-</u>	<u>260,866</u>
 Total expenditures	 <u>1,393,512</u>	 <u>724,415</u>	 <u>28,232</u>	 <u>2,146,159</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>869,246</u>	 <u>(724,415)</u>	 <u>281,668</u>	 <u>426,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	547,298	734,265	-	1,281,563
Transfers out	<u>(863,108)</u>	<u>-</u>	<u>(34,267)</u>	<u>(897,375)</u>
 Total other financing sources (uses)	 <u>(315,810)</u>	 <u>734,265</u>	 <u>(34,267)</u>	 <u>384,188</u>
 Net changes in fund balances	 553,436	 9,850	 247,401	 810,687
Fund balances (deficit), beginning of year, restated	<u>2,534,405</u>	<u>(10,406)</u>	<u>4,431,610</u>	<u>6,955,609</u>
 Fund balances (deficit), end of year	 <u>\$ 3,087,841</u>	 <u>\$ (556)</u>	 <u>\$ 4,679,011</u>	 <u>\$ 7,766,296</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	State Gas Tax	RSTP	Street & Road (LTF)	Measure T Fund	Maintenance Assessment District	Transit System
ASSETS						
Cash and investments	\$ 255,897	\$ 69,284	\$ 73,143	\$ 1,385,291	\$ 933,585	\$ -
Accounts receivable	-	-	32,111	117,155	18,320	197,302
Notes receivable, net	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total assets	<u>\$ 255,897</u>	<u>\$ 69,284</u>	<u>\$ 105,254</u>	<u>\$ 1,502,446</u>	<u>\$ 951,905</u>	<u>\$ 197,302</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 22,671	\$ -	\$ 2,155	\$ 39,629
Deposits	-	-	-	-	-	94
Due to other funds	-	-	-	-	-	88,282
Total liabilities	<u>-</u>	<u>-</u>	<u>22,671</u>	<u>-</u>	<u>2,155</u>	<u>128,005</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	27,840	48,299	18,320	197,302
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>27,840</u>	<u>48,299</u>	<u>18,320</u>	<u>197,302</u>
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted for:						
Public safety	-	-	-	-	-	-
Highway and streets	255,897	69,284	54,743	1,454,147	931,430	-
Community development	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(128,005)
Total fund balances (deficit)	<u>255,897</u>	<u>69,284</u>	<u>54,743</u>	<u>1,454,147</u>	<u>931,430</u>	<u>(128,005)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 255,897</u>	<u>\$ 69,284</u>	<u>\$ 105,254</u>	<u>\$ 1,502,446</u>	<u>\$ 951,905</u>	<u>\$ 197,302</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

	Public Safety Grants	HOME Grants	Home Investments Program Grants	EDBG Grants	Low and Moderate Income Housing Asset Fund	Total
ASSETS						
Cash and investments	\$ -	\$ -	\$ 68,550	\$ 327,955	\$ -	\$ 3,113,705
Accounts receivable	48,547	-	-	-	-	413,435
Notes receivable, net	-	-	1,446,999	175,885	77,434	1,700,318
Land held for resale	-	-	-	-	104,000	104,000
Total assets	\$ 48,547	\$ -	\$ 1,515,549	\$ 503,840	\$ 181,434	\$ 5,331,458
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ 4,104	812	\$ -	\$ -	\$ 69,371
Unearned revenues	-	-	-	-	-	94
Due to other funds	28,949	740	-	-	45,559	163,530
Total liabilities	28,949	4,844	812	-	45,559	232,995
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	18,542	-	1,446,999	175,886	77,434	2,010,622
Total deferred inflows of resources	18,542	-	1,446,999	175,886	77,434	2,010,622
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	104,000	104,000
Restricted for:						
Public safety	1,056	-	-	-	-	1,056
Highway and streets	-	-	-	-	-	2,765,501
Community development	-	-	67,738	327,954	-	395,692
Unassigned	-	(4,844)	-	-	(45,559)	(178,408)
Total fund balances (deficit)	1,056	(4,844)	67,738	327,954	58,441	3,087,841
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,547	\$ -	\$ 1,515,549	\$ 503,840	\$ 181,434	\$ 5,331,458

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Street & Road (LTF)</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>Transit System</u>
REVENUES						
Licenses and permits	\$ -	\$ -	\$ 1,125	\$ -	\$ -	\$ -
Intergovernmental	350,018	-	379,730	414,441	-	501,825
Use of money and property	927	528	-	3,655	2,689	-
Charges for services	-	-	-	-	334,280	19,712
Loan repayments	-	-	-	-	-	-
Miscellaneous	-	-	13,257	-	1,818	4,037
Total revenues	<u>350,945</u>	<u>528</u>	<u>394,112</u>	<u>418,096</u>	<u>338,787</u>	<u>525,574</u>
EXPENDITURES						
Current:						
Highway and streets	-	-	421,701	-	248,706	412,350
Community Development	-	-	-	-	-	-
Capital outlay	-	16,703	65,132	11,435	-	18,249
Debt service:						
Principal	-	-	-	157,500	-	-
Interest	-	-	-	1,481	-	-
Total expenditures	<u>-</u>	<u>16,703</u>	<u>486,833</u>	<u>170,416</u>	<u>248,706</u>	<u>430,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>350,945</u>	<u>(16,175)</u>	<u>(92,721)</u>	<u>247,680</u>	<u>90,081</u>	<u>94,975</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	541,147	-	-	-
Transfers out	<u>(352,010)</u>	<u>(113,297)</u>	<u>(156,010)</u>	<u>(75,840)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(352,010)</u>	<u>(113,297)</u>	<u>385,137</u>	<u>(75,840)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,065)	(129,472)	292,416	171,840	90,081	94,975
Fund balances (deficit), beginning of year, restated	<u>256,962</u>	<u>198,756</u>	<u>(237,673)</u>	<u>1,282,307</u>	<u>841,349</u>	<u>(222,980)</u>
Fund balances (deficit), end of year	<u>\$ 255,897</u>	<u>\$ 69,284</u>	<u>\$ 54,743</u>	<u>\$ 1,454,147</u>	<u>\$ 931,430</u>	<u>\$ (128,005)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Public Safety Grants	HOME Grants	Home Investments Program Grants	EDBG Grants	Low and Moderate Income Housing Asset Fund	Total
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,125
Intergovernmental	100,000	2,500	67,603	-	-	1,816,117
Use of money and property	2	101	34	1,050	-	8,986
Charges for services	-	-	-	-	-	353,992
Charges for services	-	-	-	63,426	-	63,426
Miscellaneous	-	-	-	-	-	19,112
Total revenues	<u>100,002</u>	<u>2,601</u>	<u>67,637</u>	<u>64,476</u>	<u>-</u>	<u>2,262,758</u>
EXPENDITURES						
Current:						
Highway and streets	-	-	-	-	-	1,082,757
Community Development	-	4,945	8,237	27,073	-	40,255
Capital outlay	-	-	-	-	-	111,519
Debt service:						
Principal	-	-	-	-	-	157,500
Interest	-	-	-	-	-	1,481
Total expenditures	<u>-</u>	<u>4,945</u>	<u>8,237</u>	<u>27,073</u>	<u>-</u>	<u>1,393,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,002</u>	<u>(2,344)</u>	<u>59,400</u>	<u>37,403</u>	<u>-</u>	<u>869,246</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	6,151	-	-	547,298
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(65,951)</u>	<u>-</u>	<u>(863,108)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>6,151</u>	<u>(65,951)</u>	<u>-</u>	<u>(315,810)</u>
Net change in fund balances	2	(2,344)	65,551	(28,548)	-	553,436
Fund balances (deficit), beginning of year, restated	<u>1,054</u>	<u>(2,500)</u>	<u>2,187</u>	<u>356,502</u>	<u>58,441</u>	<u>2,534,405</u>
Fund balances (deficit), end of year	<u>\$ 1,056</u>	<u>\$ (4,844)</u>	<u>\$ 67,738</u>	<u>\$ 327,954</u>	<u>\$ 58,441</u>	<u>\$ 3,087,841</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2016**

	<u>Debt Service Fund</u>
ASSETS	
Restricted cash and investments	\$ <u>264,767</u>
Total assets	\$ <u>264,767</u>
LIABILITIES	
Due to other funds	\$ <u>265,323</u>
Total liabilities	<u>265,323</u>
FUND BALANCE (DEFICIT)	
Unassigned	<u>(556)</u>
Total fund balance (deficit)	<u>(556)</u>
Total liabilities and fund balance	<u>\$ 264,767</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Debt Service Fund</u>
REVENUES	
Use of money and property	\$ -
Total revenues	<u>-</u>
EXPENDITURES	
Current:	
General government	1,874
Debt service:	
Principal	463,156
Interest	<u>259,385</u>
Total expenditures	<u>724,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(724,415)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>734,265</u>
Total other financing sources (uses)	<u>734,265</u>
Net change in fund balance	9,850
Fund balance (deficit), beginning of year	<u>(10,406)</u>
Fund balance (deficit), end of year	<u>\$ (556)</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

	Police Impact Fees	Fire Impact Fees	Streets and Roads Impact Fees	Signalization Impact Fees	Waste Water System Capital
ASSETS					
Pooled cash and investments	\$ 365,612	\$ 549,563	\$ 1,127,478	\$ 385,180	\$ 729,925
Accounts receivable	<u>882</u>	<u>1,633</u>	<u>563</u>	<u>225</u>	<u>2,989</u>
Total assets	<u>\$ 366,494</u>	<u>\$ 551,196</u>	<u>\$ 1,128,041</u>	<u>\$ 385,405</u>	<u>\$ 732,914</u>
LIABILITIES					
Accounts payable	\$ 2,646	\$ 4,900	\$ 1,689	\$ 676	\$ 8,968
Due to other funds	-	-	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,646</u>	<u>4,900</u>	<u>1,689</u>	<u>676</u>	<u>8,968</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>882</u>	<u>1,633</u>	<u>563</u>	<u>225</u>	<u>2,989</u>
Total deferred inflows of resources	<u>882</u>	<u>1,633</u>	<u>563</u>	<u>225</u>	<u>2,989</u>
FUND BALANCES (DEFICIT)					
Restricted for:					
Capital maintenance	362,966	544,663	1,125,789	384,504	720,957
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>362,966</u>	<u>544,663</u>	<u>1,125,789</u>	<u>384,504</u>	<u>720,957</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 366,494</u>	<u>\$ 551,196</u>	<u>\$ 1,128,041</u>	<u>\$ 385,405</u>	<u>\$ 732,914</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

	<u>Park Development (IF)</u>	<u>Park Grants</u>	<u>Water Systems Capital</u>	<u>Storm Drain Capital</u>	<u>Public Building Impact Fees</u>	<u>Total</u>
ASSETS						
Pooled cash and investments	\$ 15,128	\$ -	\$ 217,859	\$ 1,936,379	\$ 2,690	\$ 5,329,814
Accounts receivable	<u>2,123</u>	<u>60,787</u>	<u>2,129</u>	<u>11,355</u>	<u>897</u>	<u>83,583</u>
Total assets	<u>\$ 17,251</u>	<u>\$ 60,787</u>	<u>\$ 219,988</u>	<u>\$ 1,947,734</u>	<u>\$ 3,587</u>	<u>\$ 5,413,397</u>
LIABILITIES						
Accounts payable	\$ 6,370	\$ -	\$ 6,386	\$ 5,854	\$ 2,690	\$ 40,179
Due to other funds	-	75,298	-	-	-	75,298
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>544,730</u>	<u>544,730</u>
Total liabilities	<u>6,370</u>	<u>75,298</u>	<u>6,386</u>	<u>5,854</u>	<u>547,420</u>	<u>660,207</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>2,123</u>	<u>60,787</u>	<u>2,129</u>	<u>1,951</u>	<u>897</u>	<u>74,179</u>
Total deferred inflows of resources	<u>2,123</u>	<u>60,787</u>	<u>2,129</u>	<u>1,951</u>	<u>897</u>	<u>74,179</u>
FUND BALANCES (DEFICIT)						
Restricted for:						
Capital maintenance	8,758	-	211,473	1,939,929		5,299,039
Unassigned	<u>-</u>	<u>(75,298)</u>	<u>-</u>	<u>-</u>	<u>(544,730)</u>	<u>(620,028)</u>
Total fund balances (deficit)	<u>8,758</u>	<u>(75,298)</u>	<u>211,473</u>	<u>1,939,929</u>	<u>(544,730)</u>	<u>4,679,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,251</u>	<u>\$ 60,787</u>	<u>\$ 219,988</u>	<u>\$ 1,947,734</u>	<u>\$ 3,587</u>	<u>\$ 5,413,397</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>Streets and Roads Impact Fees</u>	<u>Signalization Impact Fees</u>	<u>Waste Water System Capital</u>
REVENUES					
Use of money and property	\$ 994	\$ 1,438	\$ 2,922	\$ 1,012	\$ 1,867
Charges for services	13,285	22,990	34,080	4,726	35,968
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>14,279</u>	<u>24,428</u>	<u>37,002</u>	<u>5,738</u>	<u>37,835</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,279</u>	<u>24,428</u>	<u>37,002</u>	<u>5,738</u>	<u>37,835</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(22,832)</u>	<u>(11,435)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(22,832)</u>	<u>(11,435)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(8,553)	12,993	37,002	5,738	37,835
Fund balances (deficit), beginning of year	<u>371,519</u>	<u>531,670</u>	<u>1,088,787</u>	<u>378,766</u>	<u>683,122</u>
Fund balances (deficit), end of year	<u>\$ 362,966</u>	<u>\$ 544,663</u>	<u>\$ 1,125,789</u>	<u>\$ 384,504</u>	<u>\$ 720,957</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Park Development (IF)	Park Grants	Water Systems Capital	Storm Drain Capital	Public Building Impact Fees	Total
REVENUES						
Use of money and property	\$ 18	\$ -	\$ 538	\$ 4,951	\$ 14	\$ 13,754
Charges for services	-	-	18,260	145,228	12,698	287,235
Miscellaneous	8,740	-	-	171	-	8,911
Total revenues	8,758	-	18,798	150,350	12,712	309,900
EXPENDITURES						
Current:						
General government	-	-	-	767	-	767
Capital outlay	-	27,465	-	-	-	27,465
Total expenditures	-	27,465	-	767	-	28,232
Excess (deficiency) of revenues over (under) expenditures	8,758	(27,465)	18,798	149,583	12,712	281,668
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	(34,267)
Total other financing sources (uses)	-	-	-	-	-	(34,267)
Net change in fund balance	8,758	(27,465)	18,798	149,583	12,712	247,401
Fund balances (deficit), beginning of year	-	(47,833)	192,675	1,790,346	(557,442)	4,431,610
Fund balances (deficit), end of year	\$ 8,758	\$ (75,298)	\$ 211,473	\$ 1,939,929	\$ (544,730)	\$ 4,679,011

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 73,752	\$ -	\$ 73,752
Accounts receivable, net	10,926	7,619	18,545
Prepaid items	<u>-</u>	<u>2,333</u>	<u>2,333</u>
Total current assets	<u>84,678</u>	<u>9,952</u>	<u>94,630</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	154,208	452,951	607,159
Depreciable, net of accumulated depreciation	<u>109,944</u>	<u>194,545</u>	<u>304,489</u>
Total noncurrent assets	<u>264,152</u>	<u>647,496</u>	<u>911,648</u>
Total assets	<u>348,830</u>	<u>657,448</u>	<u>1,006,278</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	12,277	2,664	14,941
Deferred outflows of resources from pensions	<u>13,101</u>	<u>3,278</u>	<u>16,379</u>
Total deferred outflows of resources	<u>25,378</u>	<u>5,942</u>	<u>31,320</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,095	826	5,921
Due to other funds	-	35,748	35,748
Unearned revenue	<u>-</u>	<u>9,096</u>	<u>9,096</u>
Total current liabilities	<u>5,095</u>	<u>45,670</u>	<u>50,765</u>
Noncurrent liabilities:			
Net pension liability	<u>115,106</u>	<u>24,977</u>	<u>140,083</u>
Total noncurrent liabilities	<u>115,106</u>	<u>24,977</u>	<u>140,083</u>
Total liabilities	<u>120,201</u>	<u>70,647</u>	<u>190,848</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>10,022</u>	<u>2,174</u>	<u>12,196</u>
Total deferred outflows of resources	<u>10,022</u>	<u>2,174</u>	<u>12,196</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	264,152	647,496	911,648
Unrestricted	<u>(20,167)</u>	<u>(56,927)</u>	<u>(77,094)</u>
Total net position (deficit)	<u>\$ 243,985</u>	<u>\$ 590,569</u>	<u>\$ 834,554</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 94,993	\$ 18,458	\$ 113,451
Miscellaneous	3,424	-	3,424
Total operating revenues	<u>98,417</u>	<u>18,458</u>	<u>116,875</u>
Operating expenses:			
Personnel services	142,177	19,427	161,604
Materials, supplies and services	41,244	13,416	54,660
Depreciation	6,347	14,683	21,030
Total operating expenses	<u>189,768</u>	<u>47,526</u>	<u>237,294</u>
Operating income (loss)	<u>(91,351)</u>	<u>(29,068)</u>	<u>(120,419)</u>
Nonoperating revenues (expenses):			
Interest income	224	-	224
Taxes	-	8,354	8,354
Grants	-	10,000	10,000
Total nonoperating revenues (expenses)	<u>224</u>	<u>18,354</u>	<u>18,578</u>
Income (loss) before transfers	<u>(91,127)</u>	<u>(10,714)</u>	<u>(101,841)</u>
Other financing sources (uses):			
Transfers in	-	1,000	1,000
Total other financing sources (uses)	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Change in net position	(91,127)	(9,714)	(100,841)
Net position (deficit), beginning of year	<u>335,112</u>	<u>600,283</u>	<u>935,395</u>
Net position (deficit), end of year	<u>\$ 243,985</u>	<u>\$ 590,569</u>	<u>\$ 834,554</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Storm Drain</u>	<u>Airport</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 94,557	\$ 39,199	\$ 133,756
Payments to suppliers	(37,559)	(12,425)	(49,984)
Payments to employees	(86,175)	(19,570)	(105,745)
Other operating revenues	<u>3,424</u>	<u>-</u>	<u>3,424</u>
Net cash provided by (used in) operating activities	<u>(25,753)</u>	<u>7,204</u>	<u>(18,549)</u>
Cash flows from noncapital financing activities:			
Grants received	-	10,000	10,000
Transfer from other funds	-	1,000	1,000
Loans from other funds	-	(26,558)	(26,558)
Taxes received	<u>-</u>	<u>8,354</u>	<u>8,354</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(7,204)</u>	<u>(7,204)</u>
Cash flows from investing activities:			
Interest received	<u>224</u>	<u>-</u>	<u>224</u>
Net cash provided by (used in) investing activities	<u>224</u>	<u>-</u>	<u>224</u>
Net increase (decrease) in cash and cash equivalents	(25,529)	-	(25,529)
Cash and cash equivalents, beginning of year	<u>99,281</u>	<u>-</u>	<u>99,281</u>
Cash and cash equivalents, end of year	<u>\$ 73,752</u>	<u>\$ -</u>	<u>\$ 73,752</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<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)	\$ (91,351)	\$ (29,068)	\$ (120,419)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,347	14,682	21,029
(Increase) decrease in:			
Accounts receivable	(436)	20,742	20,306
Prepaid expenses	-	200	200
Deferred outflows of resources from pensions	(20,552)	(3,686)	(24,238)
Increase (decrease) in:			
Accounts payable and other liabilities	3,685	791	4,476
Net pension liability	73,202	3,858	77,060
Deferred inflows of resources from pension	<u>3,352</u>	<u>(315)</u>	<u>3,037</u>
Net cash provided by (used in) operating activities	<u>\$ (25,753)</u>	<u>\$ 7,204</u>	<u>\$ (18,549)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 14,801	\$ -	\$ 82,808	\$ 97,609
Accounts receivable, net	-	-	555	555
Prepaid expenses	-	-	42,956	42,956
	<u>14,801</u>	<u>-</u>	<u>126,319</u>	<u>141,120</u>
Total current assets				
Noncurrent assets:				
Capital assets:				
Depreciable, net of accumulated depreciation	-	15,013	-	15,013
	<u>-</u>	<u>15,013</u>	<u>-</u>	<u>15,013</u>
Total noncurrent assets				
	<u>14,801</u>	<u>15,013</u>	<u>126,319</u>	<u>156,133</u>
Total assets				
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	16,167	33,226	-	49,393
Deferred outflows of resources from pensions	16,756	33,630	-	50,386
	<u>32,923</u>	<u>66,856</u>	<u>-</u>	<u>99,779</u>
Total deferred outflows of resources				
LIABILITIES				
Current liabilities:				
Accounts payable	741	5,368	165	6,274
Accrued payroll	-	-	138,866	138,866
Due to other funds	-	62,248	-	62,248
Compensated absences	-	-	222,865	222,865
	<u>741</u>	<u>67,616</u>	<u>361,896</u>	<u>430,253</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	-	-	72,476	72,476
Net pension liability	151,577	311,525	-	463,102
	<u>151,577</u>	<u>311,525</u>	<u>72,476</u>	<u>535,578</u>
Total noncurrent liabilities				
	<u>152,318</u>	<u>379,141</u>	<u>434,372</u>	<u>965,831</u>
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	13,194	27,118	-	40,312
	<u>13,194</u>	<u>27,118</u>	<u>-</u>	<u>40,312</u>
Total deferred inflows of resources				
NET POSITION (DEFICIT)				
Net investment in capital assets	-	15,013	-	15,013
Unrestricted (deficit)	(117,788)	(339,403)	(308,053)	(765,244)
	<u>(117,788)</u>	<u>(339,403)</u>	<u>(308,053)</u>	<u>(765,244)</u>
Total net position (deficit)				
	<u>\$ (117,788)</u>	<u>\$ (324,390)</u>	<u>\$ (308,053)</u>	<u>\$ (750,231)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 191,517	\$ 367,885	\$ -	\$ 559,402
Miscellaneous	<u>3,751</u>	<u>1,731</u>	<u>-</u>	<u>5,482</u>
Total operating revenues	<u>195,268</u>	<u>369,616</u>	<u>-</u>	<u>564,884</u>
Operating expenses:				
Personnel services	121,674	249,115	46,200	416,989
Materials, supplies and services	56,676	135,692	-	192,368
Depreciation	<u>-</u>	<u>1,117</u>	<u>-</u>	<u>1,117</u>
Total operating expenses	<u>178,350</u>	<u>385,924</u>	<u>46,200</u>	<u>610,474</u>
Operating income (loss)	<u>16,918</u>	<u>(16,308)</u>	<u>(46,200)</u>	<u>(45,590)</u>
Nonoperating revenues (expenses):				
Interest income	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Total nonoperating revenues (expenses)	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Income (loss) before transfers	<u>16,973</u>	<u>(16,308)</u>	<u>(46,200)</u>	<u>(45,535)</u>
Change in net position	16,973	(16,308)	(46,200)	(45,535)
Net position, beginning of year, restated	<u>(134,761)</u>	<u>(308,082)</u>	<u>(261,853)</u>	<u>(704,696)</u>
Net position (deficit), end of year	<u>\$ (117,788)</u>	<u>\$ (324,390)</u>	<u>\$ (308,053)</u>	<u>\$ (750,231)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 191,517	\$ 367,885	\$ -	\$ 559,402
Payments to suppliers	(56,410)	(144,028)	24,713	(175,725)
Payments to employees	(124,752)	(225,072)	-	(349,824)
Other operating revenues	<u>3,751</u>	<u>1,731</u>	<u>-</u>	<u>5,482</u>
Net cash provided by (used in) operating activities	<u>14,106</u>	<u>516</u>	<u>24,713</u>	<u>39,335</u>
Cash flows from noncapital financing activities:				
Loan from other funds	<u>-</u>	<u>(516)</u>	<u>-</u>	<u>(516)</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(516)</u>	<u>-</u>	<u>(516)</u>
Cash flows from investing activities:				
Interest received	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Net cash provided by (used in) investing activities	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Net increase (decrease) in cash and cash equivalents	14,161	-	24,713	38,874
Cash and cash equivalents, beginning of year	<u>640</u>	<u>-</u>	<u>58,095</u>	<u>58,735</u>
Cash and cash equivalents, end of year	<u>\$ 14,801</u>	<u>\$ -</u>	<u>\$ 82,808</u>	<u>\$ 97,609</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 16,918	\$ (16,308)	\$ (46,200)	\$ (45,590)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,117	-	1,117
(Increase) decrease in:				
Accounts receivable	-	-	(555)	(555)
Prepaid expenses	-	-	2,988	2,988
Deferred outflows of resources from pensions	(15,425)	(32,669)	-	(48,094)
Increase (decrease) in:				
Accounts payable and other liabilities	266	(8,336)	22,280	14,210
Compensated absences	-	-	46,200	46,200
Net pension liability	31,710	95,499	-	127,209
Deferred inflows of resources from pensions	<u>(19,363)</u>	<u>(38,787)</u>	<u>-</u>	<u>(58,150)</u>
Net cash provided by (used in) operating activities	<u>\$ 14,106</u>	<u>\$ 516</u>	<u>\$ 24,713</u>	<u>\$ 39,335</u>

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Greenhills Assessment District</u>				
ASSETS				
Cash and investments	\$ 669,294	\$ 1,557,684	\$ (1,559,305)	\$ 667,673
Accounts receivable	<u>12,000</u>	<u>7,501</u>	<u>(12,000)</u>	<u>7,501</u>
Total assets	<u>\$ 681,294</u>	<u>\$ 1,565,185</u>	<u>\$ (1,571,305)</u>	<u>\$ 675,174</u>
LIABILITIES				
Agency obligations	<u>\$ 681,294</u>	<u>\$ 1,565,185</u>	<u>\$ (1,571,305)</u>	<u>\$ 675,174</u>
<u>Pheasant Run Assessment District</u>				
ASSETS				
Cash and investments	\$ 609,695	\$ 845,325	\$ (842,744)	\$ 612,276
Accounts receivable	<u>-</u>	<u>12,957</u>	<u>(1,000)</u>	<u>11,957</u>
Total assets	<u>\$ 609,695</u>	<u>\$ 858,282</u>	<u>\$ (843,744)</u>	<u>\$ 624,233</u>
LIABILITIES				
Agency obligations	<u>\$ 609,695</u>	<u>\$ 858,282</u>	<u>\$ (843,744)</u>	<u>\$ 624,233</u>
<u>Developer Deposits</u>				
ASSETS				
Cash and investments	\$ 38,736	\$ 315,145	\$ (375,366)	\$ (21,485)
Accounts receivable	<u>-</u>	<u>166,167</u>	<u>(27,294)</u>	<u>138,873</u>
Total assets	<u>\$ 38,736</u>	<u>\$ 481,312</u>	<u>\$ (402,660)</u>	<u>\$ 117,388</u>
LIABILITIES				
Agency obligations	<u>\$ 38,736</u>	<u>\$ 481,312</u>	<u>\$ (402,660)</u>	<u>\$ 117,388</u>
<u>Alview-Dairyland Union School District</u>				
ASSETS				
Cash and investments	\$ -	\$ 1,122,700	\$ (1,122,700)	\$ -
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 1,122,700</u>	<u>\$ (1,122,700)</u>	<u>\$ -</u>
LIABILITIES				
Agency obligations	<u>\$ -</u>	<u>\$ 1,122,700</u>	<u>\$ (1,122,700)</u>	<u>\$ -</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 1,317,725	\$ 3,840,854	\$ (3,900,115)	\$ 1,258,464
Accounts receivable	<u>12,000</u>	<u>186,625</u>	<u>(40,294)</u>	<u>158,331</u>
Total assets	<u>\$ 1,329,725</u>	<u>\$ 4,027,479</u>	<u>\$ (3,940,409)</u>	<u>\$ 1,416,795</u>
LIABILITIES				
Agency obligations	<u>\$ 1,329,725</u>	<u>\$ 4,027,479</u>	<u>\$ (3,940,409)</u>	<u>\$ 1,416,795</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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2017.

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

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
March 23, 2017.

FINDINGS AND QUESTIONED COSTS

**CITY OF CHOWCHILLA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

FINANCIAL STATEMENT FINDINGS

None reported.