

**CITY OF MADERA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017**

**CITY OF MADERA
CALIFORNIA**

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of Madera
Madera, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madera, California (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-18, budgetary comparison information on pages 88-90, the schedules of changes in net pension liability and related ratios on page 92, schedule of contributions on pages 93 and 95, schedule of the City's proportionate share of the net pension liability on page 94, and schedule of funding progress – other postemployment benefits plan on page 96 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 April 23, 2018, on our consideration of the City of Madera, 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
April 23, 2018

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

This discussion and analysis of the City of Madera's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The City's government-wide total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the fiscal year by \$277.3 million. Of this amount, \$4.4 million is in unrestricted net position and available to meet the City's ongoing commitments to citizens and creditors. In addition, the City's restricted net position totals \$35.9 million and is dedicated to specific purposes. Lastly, net position of \$237 million is the City's net investment in capital assets.
- The City's total net position increased by \$0.8 million or 0.3% during 2016-2017 to \$277.3 million from \$276.4 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$49.3 million, an increase of \$2.5 million or 5.3% in comparison with the prior year. Approximately 28% of this amount (\$14 million) is available for spending at the City's discretion (unassigned fund balance).
- The City's General Fund, including Code Enforcement, Insurance Reserve, Payroll Clearing, Community Development and LEA Tire Grants, ended the year with a fund balance of \$15.4 million, which represents a net increase of approximately \$0.8 million from the previous year. The unassigned balance of \$14.0 million is available for carryover to fund future general fund expenditures.
- Net Pension Liability increased by \$7.0 million or 19% during 2016-2017 to \$39.0 million from \$32.0 million. Deferred outflows of resources related to pensions increased by \$6.2 million or 120% and deferred inflows of resources related to pensions decreased by \$1.6 million or 53%. The changes to net pension liability were mainly due to an overall increase in the net pension liability of the CalPERS safety risk pool, of which the City's proportionate share increased, and the service cost and interest accumulated on the City's total pension liability in its miscellaneous risk pool agent plan exceeded contributions and investment income in the City's fiduciary net position. The changes to the City's deferred outflows were mainly due to an increase in contributions to the Plan made by the City in 2016-2017 and actual earnings on the plan exceeding the projected earnings, which will be applied as a reduction to net pension liability over the next five years. Finally, the changes to deferred inflows of resources were mainly the result of the amortization of prior year deferred inflows resulting from previous changes in actuarial assumptions and differences in between expected and actual experience that did not meet the previous actuarial expectations.
- During the year, 30% and 9% rate increases were implemented for water and sewer services, respectively. Incremental rate increases over the subsequent five years were approved by Council during the second quarter of calendar year 2015. Those rate increases took effect in fiscal year 2016 and were projected to increase water revenues by 30% and sewer revenues by 9% in fiscal year 2017. The water rate increases are projected to further increase water revenues by 20% in 2018, 10% in 2019, and 3% in fiscal year 2020. Sewer rate increases are projected to further increase sewer revenues by 9% in 2019, and 10% in fiscal year 2020.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements include all activities of the City of Madera, using the integrated approach as prescribed by GASB Statement No. 34. The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services are financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the Government.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Reporting the City as a Whole

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid out.

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

The *statement of activities* presents information showing how the City's net position changed in the most recent fiscal year. All changes of net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements of the City are divided as follows:

Governmental Activities: Most of the City's basic services are included here such as public safety, transportation (street and roads), community development, culture and recreation and general government. These services are primarily financed by property and sales taxes and federal and state grants.

Business-type Activities: The City charges fees to customers to cover the costs of services provided. The City's utilities, water, sewer, community sanitation (refuse and street cleaning), golf course, and airport, as well as public transit services are included here.

The government-wide financial statements can be found on pages 21-23 of this report.

Fund financial statements. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the City can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a governments near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The City of Madera maintains nineteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, General Development Impact Fee Fund, and Special Gas Tax Fund all of which are considered to be major funds. Data from the other sixteen funds are combined into a single aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance to this budget.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

Proprietary funds. The City has two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City utilizes enterprise funds to account for those activities that are supported primarily by user charges to external users, and includes community sanitation, sewer disposal, water and transit. Internal service funds are used to account for activities that are supported by user charges primarily to the City's other programs and activities and include fleet management, facility maintenance, and computer replacement. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sewer, Solid Waste, and Drainage Operations funds since they are all major funds. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All of the internal service funds are combined into a single, aggregated presentation in the fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28-35 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations.

The fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the basic financial statements can be found on pages 38-85 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees, and budgetary comparison schedules. Required supplementary information can be found on pages 88-96 of this report.

Individual Fund Statements. Individual fund statements in connection with non-major governmental and enterprise funds are presented immediately the required supplementary information, which can be found on pages 98-107 of this report.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Government-wide Financial Analysis

Below is a table showing the City's net position for the fiscal year ended June 30, 2017, with comparative data for the fiscal year ended June 30, 2016.

City of Madera's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 55,225,939	\$ 53,601,138	\$ 27,996,610	\$ 28,242,979	\$ 83,222,549	\$ 81,844,117
Capital assets	180,604,855	184,266,904	104,801,222	105,558,379	285,406,077	289,825,283
Total assets	<u>235,830,794</u>	<u>237,868,042</u>	<u>132,797,832</u>	<u>133,801,358</u>	<u>368,628,626</u>	<u>371,669,400</u>
Deferred outflows of resources:						
Contributions to pension plan in current fiscal year	558,025	3,695,181	1,786,638	498,955	2,344,663	4,194,136
Pension deferrals	9,087,664	992,871	-	-	9,087,664	992,871
Total deferred outflows of resources	<u>9,645,689</u>	<u>4,688,052</u>	<u>1,786,638</u>	<u>498,955</u>	<u>11,432,327</u>	<u>5,187,007</u>
Liabilities:						
Current and other liabilities	2,596,215	3,550,737	3,615,189	3,266,981	6,211,404	6,817,718
Long-term liabilities	38,155,451	34,638,701	56,538,918	55,386,782	94,694,369	90,025,483
Total liabilities	<u>40,751,666</u>	<u>38,189,438</u>	<u>60,154,107</u>	<u>58,653,763</u>	<u>100,905,773</u>	<u>96,843,201</u>
Deferred inflows of resources:						
Pension deferrals	1,302,673	2,726,958	117,648	316,780	1,420,321	3,043,738
Deferred service concession agreement receipts	-	-	90,000	130,000	90,000	130,000
Gain on refunding of debt	-	-	386,772	407,678	386,772	407,678
Total deferred inflows of resources	<u>1,302,673</u>	<u>2,726,958</u>	<u>594,420</u>	<u>854,458</u>	<u>1,897,093</u>	<u>3,581,416</u>
Net position:						
Net investment in capital assets	178,119,000	181,166,736	58,792,617	57,639,498	236,911,617	238,806,234
Restricted	34,863,951	32,193,071	1,076,451	-	35,940,402	32,193,071
Unrestricted	(9,560,807)	(11,720,109)	13,966,875	17,152,594	4,406,068	5,432,485
Total net position	<u>\$ 203,422,144</u>	<u>\$ 201,639,698</u>	<u>\$ 73,835,943</u>	<u>\$ 74,792,092</u>	<u>\$ 277,258,087</u>	<u>\$ 276,431,790</u>

As of June 30, 2017, the City's government-wide total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$277.3 million. Governmental activities finished the year with a positive net position balance of \$203.4 million, an increase of \$1.8 million, or 1% compared to 2016. Business-type activities finished the year with a positive balance of \$73.8 million, a decrease of \$1 million or 1% compared to 2016. Net position, as noted earlier, may serve over time as a useful indicator of the City's financial position. Of the total net position, \$238.8 million or 85% is the City's net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and the road network) less any related debt used to acquire those assets that is still outstanding.

The City's net investment in capital assets decreased by \$1.9 million, restricted net position increased by \$3.7 million and unrestricted net position decreased by \$1 million, accounting for the increase in total net position of \$0.8 million. The decrease in net investment in capital assets is primarily due to the depreciation expense of \$12.2 million, offset by additions to capital assets of \$7.7 million. The increase to restricted net position represents the change in resource that are subject to external restrictions on their use. Net position restricted for public works and transportation decreased by \$0.6 million compared to prior year. The decrease to unrestricted net position is due to a change in resources available to fund City programs for citizens and debt obligations to creditors.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

All of the City's long-term liabilities relate to the acquisition of capital assets. Some of those assets include the City's Youth Center, police facility, and sewer and water infrastructure including the water and wastewater treatment plant, a sewer truck and a municipal golf course facility. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents \$36 million or 13% of the total. Restricted net position represents those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds are set forth by state or federal regulations.

Unrestricted net position represents those resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position represents \$4.4 million or 2% of the total net position, which is a decrease of \$1 million or 19% from the previous year. Governmental activities account for a negative \$9.6 million of the total unrestricted net position and increased by \$2.2 million or 18% compared to last year. Business-type activities account for \$14.0 million of the total unrestricted net position and decreased by \$3.2 million or 19% compared to last year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Governmental activities. Governmental activities account for \$203.4 million or 73% of the total government-wide net position. This is an increase of \$0.8 million or 0.3% compared to June 30, 2016.

The following table indicates the changes in net position for governmental and business-type activities:

City of Madera's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,926,083	\$ 4,939,456	\$ 24,311,797	\$ 21,723,941	\$ 29,237,880	\$ 26,663,397
Operating grants and contributions	11,378,323	15,439,777	1,546,651	1,334,299	12,924,974	16,774,076
Capital grants and contributions	1,649,843	1,330,746	2,281,202	1,833,671	3,931,045	3,164,417
General revenues:						
Property taxes	4,040,067	3,571,669	171,878	58,333	4,211,945	3,630,002
Sales and use taxes	9,112,909	6,506,004	-	-	9,112,909	6,506,004
Franchise taxes	649,415	678,438	-	-	649,415	678,438
Other taxes	1,694,786	2,172,574	-	-	1,694,786	2,172,574
Investment earnings	203,973	603,795	120,594	210,257	324,567	814,052
Gain (loss) on sale of capital assets	31,374	16,304	39,821	4,250	71,195	20,554
Miscellaneous	<u>343,287</u>	<u>580,398</u>	<u>26,004</u>	<u>34,976</u>	<u>369,291</u>	<u>615,374</u>
Total revenues	<u>34,030,060</u>	<u>35,839,161</u>	<u>28,497,947</u>	<u>25,199,727</u>	<u>62,528,007</u>	<u>61,038,888</u>
Expenses						
General government	7,692,256	8,890,092	-	-	7,692,256	8,890,092
Public safety	12,903,321	14,722,091	-	-	12,903,321	14,722,091
Public ways and facilities	4,607,237	6,852,731	-	-	4,607,237	6,852,731
Social services	303,015	182,286	-	-	303,015	182,286
Culture and recreation	4,421,827	4,451,155	-	-	4,421,827	4,451,155
Community development	3,029,515	5,249,438	-	-	3,029,515	5,249,438
Interest on long-term debt	110,856	280,037	-	-	110,856	280,037
Local transit	-	-	2,184,533	2,051,814	2,184,533	2,051,814
Water	-	-	10,066,546	5,590,810	10,066,546	5,590,810
Sewer	-	-	8,758,885	8,476,744	8,758,885	8,476,744
Golf course	-	-	115,882	74,596	115,882	74,596
Airport	-	-	893,106	852,560	893,106	852,560
Solid waste	-	-	6,305,944	4,936,291	6,305,944	4,936,291
Drainage operations	-	-	956,287	1,024,498	956,287	1,024,498
Total expenses	<u>33,068,027</u>	<u>40,627,830</u>	<u>29,281,183</u>	<u>23,007,313</u>	<u>62,349,210</u>	<u>63,635,143</u>
Increase (decrease) in net position before transfers	962,033	(4,788,669)	(783,236)	2,192,414	178,797	(2,596,255)
Transfers	<u>172,913</u>	<u>1,718,751</u>	<u>(172,913)</u>	<u>(1,718,751)</u>	-	-
Increase (decrease) in net position	1,134,946	(3,069,918)	(956,149)	473,663	178,797	(2,596,255)
Net position - beginning, as restated	<u>202,287,198</u>	<u>204,709,616</u>	<u>74,792,092</u>	<u>74,318,429</u>	<u>277,079,290</u>	<u>279,028,045</u>
Net position - ending	<u>\$ 203,422,144</u>	<u>\$ 201,639,698</u>	<u>\$ 73,835,943</u>	<u>\$ 74,792,092</u>	<u>\$ 277,258,087</u>	<u>\$ 276,431,790</u>

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Total governmental revenues for the year were \$34 million, which is \$1.8 million or 5% less than in 2016.

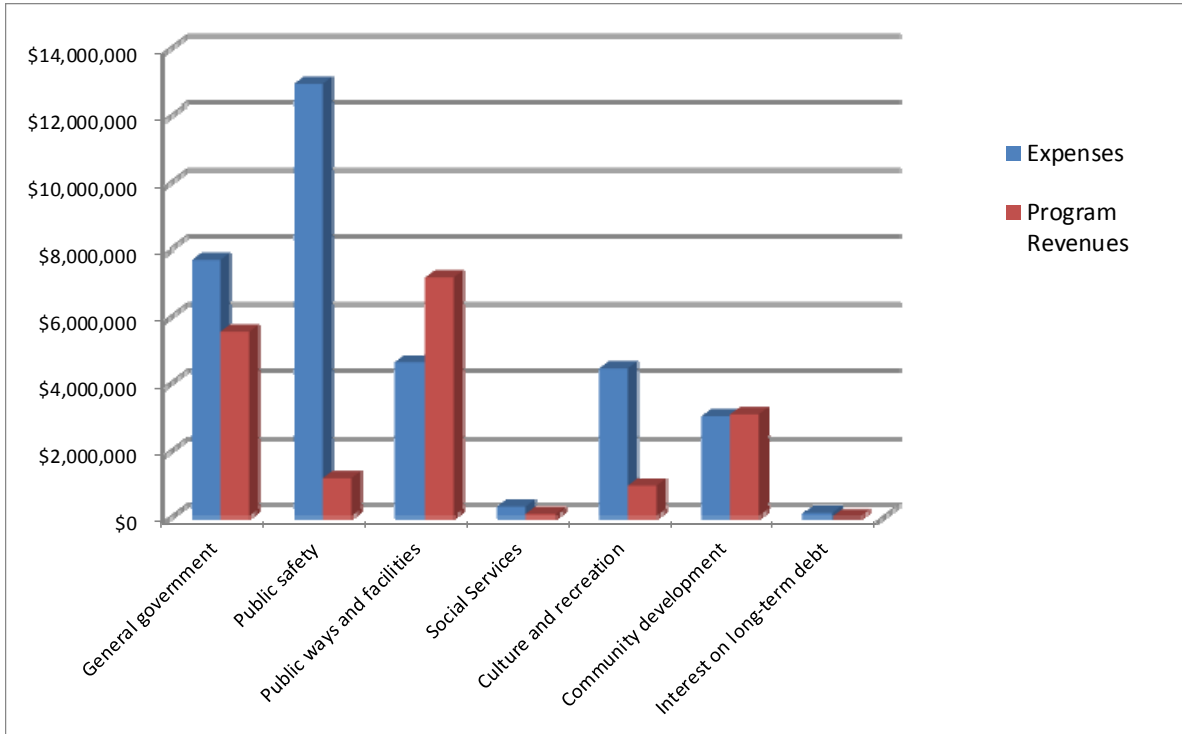
- Operating grants and contributions decreased by \$4.1 million or 26% from the previous year. This is primarily due to the final installment of \$1.7 million of Property Tax In-Lieu of Sales Tax in 2016 and a \$1.1 million decrease in operating grants for Public Ways and Facilities.
- Capital grants and contributions increased by \$0.3 million or 24% from the previous year.
- Taxes, including property, sales, franchise, and other taxes account for approximately \$15.5 million or 46% of the City's governmental activities revenue. Total tax revenue increased \$2.6 million or 20% from the previous year primarily due to increases in sales and use taxes.
- Investment earnings decreased by \$0.4 million or 66% from the previous year due primarily to a roughly \$400,000 gain on sale of investments in 2016 compared to a slight loss on sale of investments in 2017.

Total governmental expenses for the year were \$33.1 million, which is \$7.6 million or 19% less than in 2016.

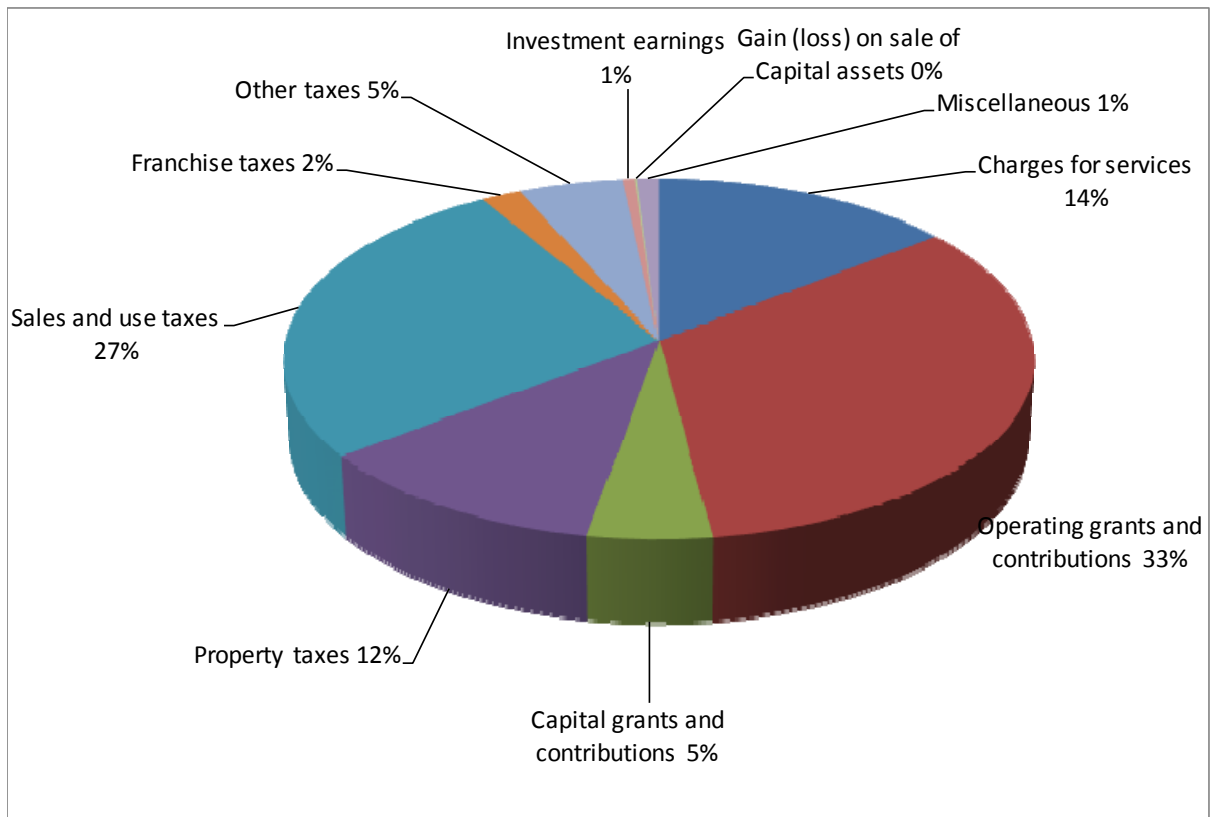
- General government expenses decreased by \$1.2 million or 13% from the previous fiscal year due to the move of utility billing operations to its proper place within the enterprise funds.
- Public safety decreased by \$1.8 million or 12% from the previous year due primarily to a current year pension expense adjustment of \$2.1 million.
- Public ways and facilities decreased by \$2.2 million or 33% from the previous year due, in part, to a decrease in developer reimbursements.
- Culture and recreation decreased by \$0.03 million or less than 1% from the previous year.
- Community development expenses decreased by \$2.2 million or 42% due to decreases in home rehabilitation loans and settlement expenses from the previous year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Governmental program revenues that include charges for services and grants specific to certain programs account for \$18.0 million or 53% of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up of "general" revenues such as taxes, interest, and grants and contributions.

Business-type Activities. Business-type activities account for \$73.8 million or 27% of the total government-wide net position. This is a decrease of \$1.0 million from the prior year. Net investment in capital assets accounts for \$58.8 million or 80% of the total net position and is an increase of \$1.2 million from 2016. Restricted net position accounts for \$1.1 million, or 1% of total net position, represents an increase of \$1.1 million from 2016. Unrestricted net position of \$15.0 million, or 20% of total net position, represents an increase of \$2.1 million from 2016.

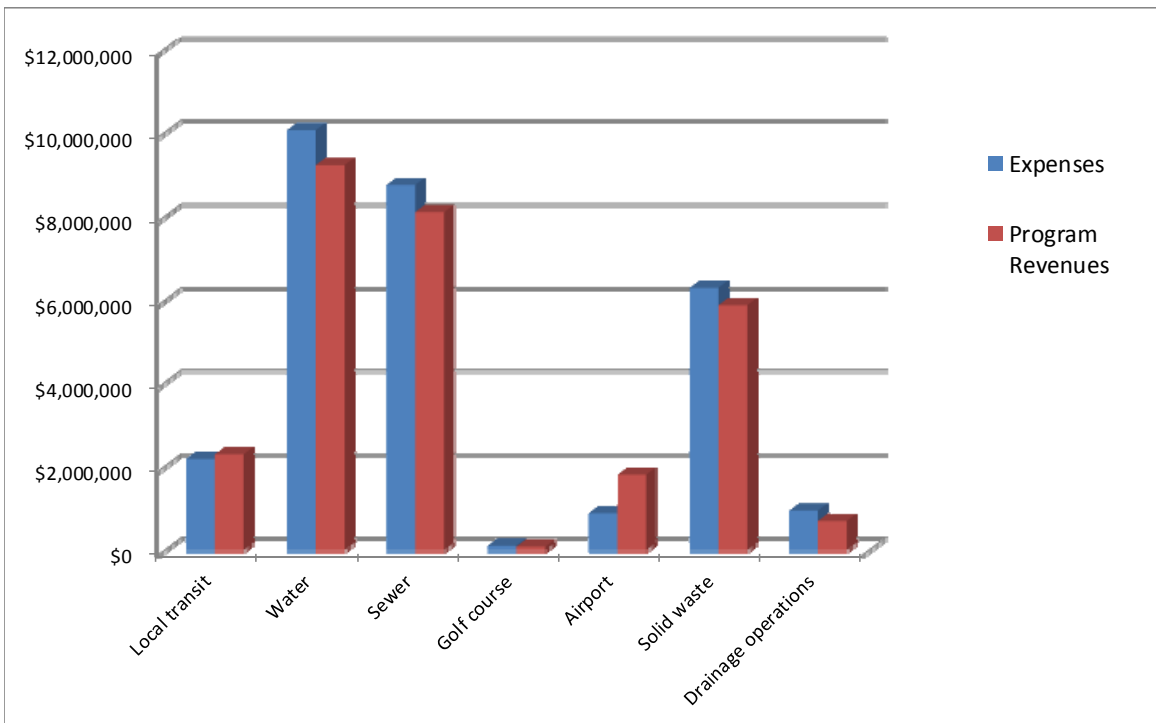
Total business-type revenue for the year was \$28.5 million, which is \$3.3 million or 13% more than in 2016.

Charges for services increased by \$2.6 million or 12% from the prior year primarily due to a rate increase that took effect July 1, 2016. Additional water meters were installed where there were previously no meters. This change resulted in moving some customers from flat rates to metered rates, which typically increases charges for services.

Operating grants and contributions increased by \$0.2 million or 16% from the prior year primarily due to each grant award increases.

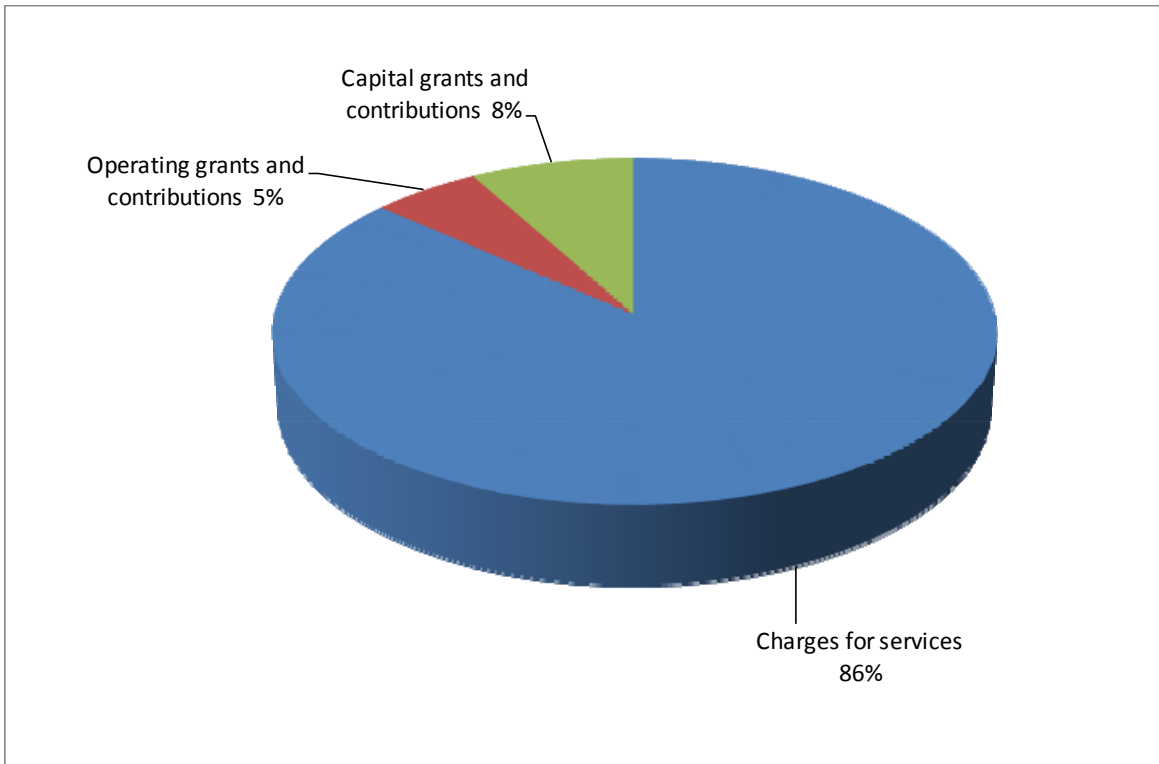
Capital grants and contributions increased by \$0.4 million or 24% from the prior year primarily due to the City receiving a new airport grant.

Expenses and Program Revenues-Business-Type Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Revenues by Source - Business-Type Activities



Included in charges for services are user fees relating to the water, sewer, solid waste, drainage, transit, golf course, and airport operations.

Total business-type expenses for the year were \$29.3 million, which is \$6.3 million or 27% more than in 2016.

Water expenses increased by \$4.5 million or 80% primarily due to the shifting of the Utility Billing Division into the Water, Sewer and Solid Waste Funds, along with increased maintenance and repair costs and water meter installations. The shifting of Utility Billing triggered a roughly \$1 million GASB 68 adjustment and increased salary and benefit costs to the Water Fund by another \$1 million.

Solid Waste increased by \$1.4 million or 28% primarily due to the shifting of Utility Billing to the enterprise funds and a related \$600,000 GASB 68 adjustment. The combined increases in Water and Solid Waste expenses made up 93% of the total increases in business-type expenses in Fiscal Year 2017.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Financial Analysis of the City's Funds

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

Governmental funds. Fund balance is defined in five categories: non-spendable, restricted, committed, assigned and unassigned. Non-spendable fund balances cannot be spent because they are not in spendable form. Restricted fund balances have limitations imposed externally by creditors, granters, contributors, or laws and regulations of other governments. Committed fund balances have self-imposed limitations set in place prior to the end of the period. Assigned fund balances are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Unassigned fund balances are the amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose.

All of the City's Governmental Funds ended the year with positive fund balances. The ending fund balance for all funds amounted to \$49.3 million, \$2.6 million more than the previous year. The increase is primarily due to a \$950,000 increase in Developmental Impact Fees, \$842,000 increase in general fund special revenue and a \$578,000 increase in special gas tax. There was an increase in unassigned fund balances of \$1.3 million, with included a \$1.1 million increase in the General Fund and a \$0.2 million increase in non-major governmental funds.

Of the total fund balance, \$14 million or 28% is unassigned which, within the limitations of the fund's purpose, is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is not in spendable form, legally required to be maintained intact, restricted for particular purposes, committed for particular purposes, or assigned for particular purposes. The details of the remainder are as follows:

Nonspendable:	
Inventory	\$ 66,661
Prepaid items	46,319
Long-term interfund advances	159,122
Restricted:	
Community development	10,600,388
Park development	79,643
Parking improvements	277,420
Public works and transportation	9,650,080
Special assessment project	751,094
Law enforcement	125,450
Capital projects and improvements	12,373,525
Assigned:	
Golf course capital	20,000
OPEB liability	97,339
Insurance	1,082,179
Unassigned	13,968,482

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Fund

The General Fund is the chief operating fund of the City. As of June 30, 2017, the total fund balance (including all categories) of the general fund was \$15.4 million, up \$1 million from June 30, 2016. The total fund balance of \$15.4 million includes non-spendable balances of \$0.3 million, assigned balances of \$1.2 million, and an unassigned balance of \$14.0 million.

The *assigned* fund balance remained unchanged from 2016.

The *unassigned* fund balance increased \$1.1 million when compared to June 30, 2016. The \$14.0 million unassigned portion represents the amount carried over to offset the impact of any revenue shortfall that may occur in the next year due to economic uncertainty. As a measurement of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 51% of total General Fund expenditures, while total fund balance represents approximately 56% of total General Fund expenditures.

Other Major Funds

The General Development Impact Fee Special Revenue Fund, a major fund, had a \$1 million increase in fund balance during Fiscal Year 2017. This increase in fund balance is primarily due to a prior year adjustment and the completion of some projects. The ending fund balance of \$12.4 million is restricted for capital projects and improvements.

The Special Gas Tax Special Revenue Fund, a major fund, had a \$0.6 million increase in fund balance during the current Fiscal Year 2017. This increase in fund balance is due to a decrease in expenditures related to Capital Outlay. The ending fund balance of \$9.5 million is restricted for public works and transportation.

Proprietary Funds. As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise funds and internal service funds ended the year with unrestricted net position as follows:

Water Fund	\$ 5,661,276
Sewer Fund	6,229,212
Solid Waste Fund	2,441,579
Drainage Operations Fund	(47,831)
Nonmajor Enterprise Funds	391,353
Internal Service Fund	(801,433)

As noted earlier in the discussion of business-type activities and revenues for water and sewer services increased by 12% in the current year. Incremental rate increases over the subsequent five years were approved by the City Council during the second quarter of calendar year 2015.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Fund Budgetary Highlights

The general fund ended fiscal year 2017 with \$2.3 million better than budget. This variance was primarily the result of \$1.1 million more revenues than anticipated and \$1.9 million of savings on expenditures, offset by \$0.7 million less transfers in than anticipated. Although they are reflected as savings to the current year budget, they may be reserved for expenditures in the subsequent fiscal year.

- Actual expenditures for General Government came in \$0.6 million under budget due to savings in personnel costs, property/liability/fidelity insurance, contracted services, intergovernmental charges, and inter-fund charges - software cost.
- Actual expenditures for Public Protection came in at \$0.7 million under budget due to savings in contracted services and personnel costs.
- Public Ways and Facilities were \$0.7 million under budget due to savings in supplies and materials, contracted services, and personnel costs.
- Actual expenditures for Community Development came in at \$0.2 million under budget due to savings in contracted services and personnel costs.
- Actual expenditures for Culture and Recreation came in at \$65,000 under budget due to savings in contracted services and conference/training.
- Actual expenditures for Capital Outlay were \$74,000 over budget due to the carrying-forward of capital project budgets from prior fiscal year appropriations.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amount to \$285.4 million (net of depreciation), a decrease of \$4.4 million compared to 2016. This decrease is primarily due the depreciation expense of \$12.2 million offset by additions to capital assets of \$7.7 million.

Major capital asset additions this year include the following:

- Road network improvements - \$2.8 million
 - Developer Donations (sidewalk, pavement, pipelines, and others) - \$1 million
 - Various other street improvement projects - \$1.2 million
 - Various parks improvement projections - \$131,000
 - Various traffic signal improvement projects - \$467,000
- Transit and Public Works Facility - \$411,000
- Equipment and software purchases (pumper fire truck, software and vehicles) - \$1.5 million
- Airport Apron Reconstruction - \$1.3 million
- Trunk Sewer System Improvement - \$1.2 million

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

During the year the City made improvements to various streets, parks, sewer mains, and received developer-donated infrastructure. Capital projects constructed by the City include:

- Bike lanes improvement: Laurel Street to the Fresno River Trail
- Landscaping improvement: 4th Street, Pine Street & Pecan Avenue
- Parks improvements: Centennial Park Playground
- Sewer mains replacement: various locations
- Street improvements: Ave 17 & Sharon Blvd, Olive & Gateway Ave, Thomas Jefferson & John Adams, Pine Street & Pecan Avenue
- Trunk sewer system rehabilitation: Schnoor Avenue

Developer constructed infrastructure was constructed in conjunction with the partial list of projects shown below:

- California Custom Processing – Schnoor Avenue
- Capistrano 16 Subdivision– Westberry Blvd. Street
- Cleveland Avenue Ave & Aspen Ln NE Corner – 2401 W Cleveland Avenue
- Virginia Lee Rose Elementary School – 1001 Lilly Street

City of Madera's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,573,520	\$ 7,573,520	\$ 9,027,017	\$ 9,026,517	\$ 16,600,537	\$ 16,600,037
Construction in progress	9,479,137	7,777,065	4,479,749	1,350,095	13,958,886	9,127,160
Buildings and improvements	14,738,550	15,153,811	28,631,182	30,370,674	43,369,732	45,524,485
Equipment	3,724,765	3,381,125	1,224,329	1,612,431	4,949,094	4,993,556
Infrastructure	145,088,883	150,381,383	61,438,945	63,198,662	206,527,828	213,580,045
	<u>\$ 180,604,855</u>	<u>\$ 184,266,904</u>	<u>\$ 104,801,222</u>	<u>\$ 105,558,379</u>	<u>\$ 285,406,077</u>	<u>\$ 289,825,283</u>

Long-term Debt. The City's long-term debt as of June 30, 2017 was \$51.5 million with governmental activities accounting for \$2.5 million or 5%, and business-type activities accounting for \$49.0 million or 95%. The total debt decreased by \$2.5 million or 5% during the current fiscal year. The reason for the decrease was due to principal payment made in current fiscal year.

City of Madera's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Leases	\$ 2,425,767	\$ 3,002,145	\$ -	\$ -	\$ 2,425,767	\$ 3,002,145
Loans Payable	60,088	98,022	7,781,755	8,097,151	7,841,843	8,195,173
Bonds Payable	-	-	41,256,130	42,850,707	41,256,130	42,850,707
	<u>\$ 2,485,855</u>	<u>\$ 3,100,167</u>	<u>\$ 49,037,885</u>	<u>\$ 50,947,858</u>	<u>\$ 51,523,740</u>	<u>\$ 54,048,025</u>

General obligation debts are direct obligations of the City and are backed by the full faith and credit of the City requiring voter approval, and may have a tax rate set to cover repayment. State statutes limit the amount of general obligation debt to 15% of the City's total assessed valuation. The City of Madera's debt limit is \$1.1 billion. Detailed information on the City's long-term debt activity can be found in Note 7 on pages 56-63.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Economic Factors and Next Year's Budgets and Rates

The new administration in Washington brought about, and will continue to bring surprising policy changes affecting the legal, regulatory and financial landscape. The recent tax reform bill has allowed corporations to expand, hire new employees, and provide raises for existing ones. The announcement by the president regarding trade tariffs and China's rebuttal have raised some uncertainty, but the full effects of these policies are unknown at this time. At the local level, some benefits of tax reform include increased consumer spending on goods, which lead to sales tax income for local and state governments. The demand for housing is picking up as well, but not at the level of the housing boom in the early 2000s. While this is the general story nationwide, the Central Valley is experiencing more modest growth.

The region as a whole lost 17,200 jobs from 2007 until 2009. Those jobs have been replaced and an additional 5,000 jobs added. In the last year alone, county-wide, Madera has added approximately 1,000 jobs. In February 2018, the unemployment rate in Madera County was 8.3% and remains unchanged from the prior month, and was below the unemployment rate of 10% one year ago. The City of Madera had a slightly higher unemployment rate in February 2018, when compared to the county, at 9.5%. The statewide unemployment rate is 4.5% and the national rate is 4.4%. The US Federal Reserve considers full employment to be 5.2%. While the country as a whole is at near maximum employment, there is still room for growth in Madera County, and the Central San Joaquin Valley in general. The City has seen continued growth in consumer spending. This trend is reflected in a 5.5% increase in local sales tax over the previous 12-month period. The greatest increases are taking place in electronic equipment sales and electronic equipment. About 4% to 5% of the sales tax generated in the office equipment sector came from just one business for two consecutive quarters.

Economic development activity continues to increase and is seen through the addition of commercial, industrial and residential buildings. In FY 09/10, the industrial vacancy rate reached a high of 14%, but since 2014 it continues to remain under 1%. In response, the City began a joint venture with a local company to develop Freedom Industrial Park, a 100-acre industrial site. The first tenant of the complex has moved in and employs about 100 individuals. The City is actively reaching out to the business community to fill a future, second building that has already been approved for the site. The grounds will be "plug and play" ready, with full infrastructure and rail access. The intersection at Avenue 17 and Highway 99 remains a primary focus of the City's economic development efforts. Love's Travel Center will be a major business at this location, which will also include a hotel and a covered RV and boat storage facility, among others. The project, when complete, will bring approximately 75 to 100 new jobs to the City.

The number of residential homes completed over the previous fiscal year remained relatively consistent from FY 15/16 to FY 16/17. About 150 homes were granted occupancy, producing an approximate added valuation of \$23.3 million per year. FY 17/18 projects similar new residential permit activity including a 100+ lot subdivision in the southeast quadrant of the City and another 100+ lot subdivision in the southwest quadrant. Without many existing lots available for builders, the City is looking to the northwest quadrant for future growth. The slated project is under review, but is still about 18 months from breaking ground. Once complete, the neighborhood will encompass approximately 1,200 acres with 5,200 new homes, retail and commercial use, two elementary schools and expanses of open space and park amenities.

Water is and will remain a key element in regional economy. The City is taking an active role in regional groundwater management efforts and is planning the next stages of improvements to address long-term water service for current residents and future development. Five years of incremental rate increases were approved by Council during the second quarter of calendar year 2015. Engineering costs for capital improvements are anticipated to be funded on a pay-as-you-go basis. Anticipated projects include the replacement of manual water meters, installation of new water meters, recoating of the water tower and the design of water main upgrades throughout the City. These projects have planned funding from revenue in the Water Utility Fund.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

In November 2016, Measure K, a local half-cent sales tax measure, was approved by City of Madera voters. The overwhelming passage of the measure will provide more than \$3.5 million per year to the City for enhancing the safety of Maderans. Specifically, Measure K has allowed for the hiring of several new police officers, vehicles and equipment, as well as the purchase of land for a new fire station. Future plans of the funds include the construction of a third fire station in the City, a new fire apparatus and staffing for this station, among others.

While economic development, residential growth and governmental activities have all made progress this past fiscal year, the City will, in all respects, continue with a prudent, conservative financial planning model as it prepares the budget for FY 18/19. The economy has been expanding for several years, and the City is experiencing some of these benefits, however, history indicates that a correction or downturn is likely not too far away.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Madera's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Financial Services Director, City of Madera, 205 W. 4th Street, Madera, CA 93637.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total	Component Unit Housing Authority of the City of Madera
ASSETS				
Cash and investments	\$ 39,106,180	\$ 23,457,586	\$ 62,563,766	\$ 4,465,149
Receivables:				
Accounts, net	5,377,803	1,601,084	6,978,887	222,819
Interest	-	-	-	145,882
Prepaid items	46,844	2,300	49,144	10,132
Inventories	66,661	-	66,661	93,926
Internal balances	1,484,810	(1,484,810)	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	4,420,450	4,420,450	2,083,336
Notes receivable	8,083,641	-	8,083,641	4,421,746
Land held for resale	1,060,000	-	1,060,000	-
Capital assets, not being depreciated	17,052,657	13,506,766	30,559,423	785,827
Capital assets, net of accumulated depreciation	163,552,198	91,294,456	254,846,654	7,537,542
Total assets	235,830,794	132,797,832	368,628,626	19,766,359
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	558,025	1,786,638	2,344,663	-
Deferred outflows of resources related to pensions	9,087,664	-	9,087,664	758,613
Total deferred outflows of resources	9,645,689	1,786,638	11,432,327	758,613
LIABILITIES				
Accounts payable	978,505	1,325,892	2,304,397	134,636
Salaries payable	501,635	125,051	626,686	34,059
Accrued interest payable	11,175	618,479	629,654	-
Unearned revenue	183,126	72,017	255,143	9,680
Deposits payable	921,774	1,473,750	2,395,524	194,765
Other liabilities	-	-	-	2,541
Noncurrent liabilities:				
Due within one year	1,973,661	2,237,921	4,211,582	3,115,657
Due in more than one year	36,181,790	54,300,997	90,482,787	3,267,732
Total liabilities	40,751,666	60,154,107	100,905,773	6,759,070
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	1,302,673	117,648	1,420,321	87,196
Deferred service concession agreement receipts	-	90,000	90,000	-
Gain on refunding of debt	-	386,772	386,772	-
Total deferred inflows of resources	1,302,673	594,420	1,897,093	87,196
NET POSITION				
Net investment in capital assets	178,119,000	58,792,617	236,911,617	4,965,665
Restricted for:				
Community development	10,600,388	-	10,600,388	-
Park development	133,957	-	133,957	-
Parking improvements	600,930	-	600,930	-
Public works and transportation	10,278,607	-	10,278,607	-
Special assessment project	751,094	-	751,094	-
Law enforcement	125,450	-	125,450	-
Social services	-	-	-	-
Capital maintenance	-	-	-	-
Capital projects and improvements	12,373,525	-	12,373,525	-
Housing services	-	-	-	1,532,084
Debt service	-	1,076,451	1,076,451	-
Unrestricted	(9,560,807)	13,966,875	4,406,068	7,180,957
Total net position	\$ 203,422,144	\$ 73,835,943	\$ 277,258,087	\$ 13,678,706

The accompanying notes are an integral part of these financial statements.

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

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs:</u>				
Primary government:				
Governmental activities:				
General government	\$ 7,692,256	\$ 139,997	\$ 5,386,631	\$ -
Public safety	12,903,321	680,391	479,790	-
Public ways and facilities	4,607,237	1,416,230	4,098,803	1,649,843
Social services	303,015	434	82,203	-
Culture and recreation	4,421,827	586,785	347,388	-
Community development	3,029,515	2,102,246	983,508	-
Interest on long-term debt	110,856	-	-	-
Total governmental activities	33,068,027	4,926,083	11,378,323	1,649,843
Business-type activities:				
Local transit	2,184,533	107,015	1,381,206	809,179
Water	10,066,546	9,139,387	-	93,002
Sewer	8,758,885	8,042,174	-	66,803
Golf course	115,882	93,797	-	-
Airport	893,106	529,481	-	1,281,138
Solid waste	6,305,944	5,724,230	165,445	-
Drainage operations	956,287	675,713	-	31,080
Total business-type activities	29,281,183	24,311,797	1,546,651	2,281,202
Total primary government	\$ 62,349,210	\$ 29,237,880	\$ 12,924,974	\$ 3,931,045
Component unit:				
Housing Authority of the City of Madera	\$ 8,549,440	\$ 1,639,824	\$ 6,224,798	\$ 178,814
Total component unit	\$ 8,549,440	\$ 1,639,824	\$ 6,224,798	\$ 178,814

General revenues:
 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes
 Investment earnings
 Gain (loss) on sale of capital assets
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in net position

Net position - beginning (restated)

Net position - ending

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Housing Authority of the City of Madera
\$ (2,165,628)	\$ -	\$ (2,165,628)	\$ -
(11,743,140)	-	(11,743,140)	-
2,557,639	-	2,557,639	-
(220,378)	-	(220,378)	-
(3,487,654)	-	(3,487,654)	-
56,239	-	56,239	-
(110,856)	-	(110,856)	-
<u>(15,113,778)</u>	<u>-</u>	<u>(15,113,778)</u>	<u>-</u>
-	112,867	112,867	-
-	(834,157)	(834,157)	-
-	(649,908)	(649,908)	-
-	(22,085)	(22,085)	-
-	917,513	917,513	-
-	(416,269)	(416,269)	-
-	(249,494)	(249,494)	-
<u>-</u>	<u>(1,141,533)</u>	<u>(1,141,533)</u>	<u>-</u>
<u>(15,113,778)</u>	<u>(1,141,533)</u>	<u>(16,255,311)</u>	<u>-</u>
			<u>(506,004)</u>
			<u>(506,004)</u>
4,040,067	171,878	4,211,945	-
9,112,909	-	9,112,909	-
649,415	-	649,415	-
1,694,786	-	1,694,786	-
203,973	120,594	324,567	39,497
31,374	39,821	71,195	-
343,287	26,004	369,291	497,059
172,913	(172,913)	-	-
<u>16,248,724</u>	<u>185,384</u>	<u>16,434,108</u>	<u>536,556</u>
1,134,946	(956,149)	178,797	30,552
<u>202,287,198</u>	<u>74,792,092</u>	<u>277,079,290</u>	<u>13,648,154</u>
<u>\$ 203,422,144</u>	<u>\$ 73,835,943</u>	<u>\$ 277,258,087</u>	<u>\$ 13,678,706</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue				
	General	General Development Impact Fee Fund	Special Gas Tax Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 12,227,157	\$ 13,354,108	\$ 9,124,821	\$ 3,229,559	\$ 37,935,645
Receivables:					
Accounts, net	3,939,455	-	857,799	578,787	5,376,041
Notes	-	-	-	8,083,641	8,083,641
Prepaid items	46,319	-	-	525	46,844
Inventories	66,661	-	-	-	66,661
Due from other funds	635,860	-	-	205	636,065
Advances to other funds	159,122	-	-	-	159,122
Land held for resale	-	-	-	1,060,000	1,060,000
	<u>\$ 17,074,574</u>	<u>\$ 13,354,108</u>	<u>\$ 9,982,620</u>	<u>\$ 12,952,717</u>	<u>\$ 53,364,019</u>
LIABILITIES					
Accounts payable	\$ 571,151	\$ 58,882	\$ 15,375	\$ 224,875	\$ 870,283
Salaries payable	464,357	-	-	2,366	466,723
Due to other funds	-	-	-	19,095	19,095
Unearned revenue	-	-	-	183,126	183,126
Deposit payable	-	921,701	-	74	921,775
	<u>1,035,508</u>	<u>980,583</u>	<u>15,375</u>	<u>429,536</u>	<u>2,461,002</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	598,964	-	504,443	501,908	1,605,315
	<u>598,964</u>	<u>-</u>	<u>504,443</u>	<u>501,908</u>	<u>1,605,315</u>
FUND BALANCES					
Nonspendable:					
Inventory	66,661	-	-	-	66,661
Prepaid items	46,319	-	-	-	46,319
Long-term interfund advances	159,122	-	-	-	159,122
Restricted:					
Community development	-	-	-	10,600,388	10,600,388
Park development	-	-	-	79,643	79,643
Parking improvements	-	-	-	277,420	277,420
Public works and transportation	-	-	9,462,802	187,278	9,650,080
Special assessment project	-	-	-	751,094	751,094
Law enforcement	-	-	-	125,450	125,450
Capital projects and improvements	-	12,373,525	-	-	12,373,525
Assigned:					
Golf course capital	20,000	-	-	-	20,000
OPEB liability	97,339	-	-	-	97,339
Insurance	1,082,179	-	-	-	1,082,179
Unassigned	13,968,482	-	-	-	13,968,482
	<u>15,440,102</u>	<u>12,373,525</u>	<u>9,462,802</u>	<u>12,021,273</u>	<u>49,297,702</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,074,574</u>	<u>\$ 13,354,108</u>	<u>\$ 9,982,620</u>	<u>\$ 12,952,717</u>	<u>\$ 53,364,019</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017

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

Total fund balances - governmental funds	\$	49,297,702
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:</p>		
Land		7,573,520
Construction in progress		9,479,137
Buildings and improvements		21,345,585
Equipment		7,088,629
Infrastructure		291,254,666
Accumulated depreciation		<u>(158,683,421)</u>
Total capital assets		178,058,116
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		1,605,315
<p>Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is generally not accrued as a liability in the balance sheet of governmental funds.</p>		
		(11,175)
<p>Pension related deferrals:</p>		
Deferred outflow of resources		9,087,664
Deferred inflows of resources		<u>(1,255,450)</u>
Total pension related deferrals		7,832,214
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of:</p>		
Capital leases		(2,425,767)
Compensated absences		(1,261,746)
Net other postemployment benefit obligation		(2,093,343)
Net pension liability		<u>(29,973,112)</u>
Total long-term liabilities		(35,753,968)
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
		<u>2,393,940</u>
Net position of governmental activities	\$	<u>203,422,144</u>

The accompanying notes are an integral part of these financial statements.

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

	Special Revenue				Total Governmental Funds
	General	General Development Impact Fee Fund	Special Gas Tax	Total Nonmajor Funds	
REVENUES:					
Property taxes	\$ 3,696,995	\$ -	\$ -	\$ 357,508	\$ 4,054,503
Sales and use taxes	8,741,373	-	-	-	8,741,373
Other taxes	1,321,157	-	-	377,330	1,698,487
Use of money and property	205,668	58,082	58,075	36,910	358,735
Franchise taxes	649,415	-	-	-	649,415
Licenses and permits	701,825	-	-	-	701,825
Fines	734,193	-	-	16,195	750,388
Intergovernmental	6,892,226	-	3,217,005	2,545,429	12,654,660
Charges for current services	1,360,859	1,839,370	-	297,359	3,497,588
Miscellaneous	604,836	-	-	27,724	632,560
	<u>24,908,547</u>	<u>1,897,452</u>	<u>3,275,080</u>	<u>3,658,455</u>	<u>33,739,534</u>
EXPENDITURES:					
Current:					
General government	1,659,616	-	-	136,439	1,796,055
Public protection	14,833,735	-	-	100,934	14,934,669
Social services	405,251	-	-	-	405,251
Public ways and facilities	2,687,550	-	-	413,520	3,101,070
Community development	2,709,786	-	-	397,152	3,106,938
Culture and recreation	3,831,163	-	-	-	3,831,163
Capital outlay	829,037	447,333	641,865	1,225,122	3,143,357
Debt service:					
Principal	400,658	-	-	167,806	568,464
Interest	87,410	-	-	26,450	113,860
	<u>27,444,206</u>	<u>447,333</u>	<u>641,865</u>	<u>2,467,423</u>	<u>31,000,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,535,659)</u>	<u>1,450,119</u>	<u>2,633,215</u>	<u>1,191,032</u>	<u>2,738,707</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	4,194,996	65,241	-	243,993	4,504,230
Transfers out	(854,610)	(564,754)	(2,055,447)	(1,338,034)	(4,812,845)
Sales of capital assets	37,027	-	-	-	37,027
	<u>3,377,413</u>	<u>(499,513)</u>	<u>(2,055,447)</u>	<u>(1,094,041)</u>	<u>(271,588)</u>
Net change in fund balances	841,754	950,606	577,768	96,991	2,467,119
Fund balances - beginning (restated)	14,598,348	11,422,919	8,885,034	11,924,282	46,830,583
Fund balances - ending	<u>\$ 15,440,102</u>	<u>\$ 12,373,525</u>	<u>\$ 9,462,802</u>	<u>\$ 12,021,273</u>	<u>\$ 49,297,702</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds		\$ 2,467,119
<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	3,637,557	
Depreciation expense	<u>(7,715,622)</u>	
Excess of depreciation expense over capital outlay		(4,078,065)
<p>Prior year unavailable revenues previously recognized in the statement of activities were recognized in the governmental funds in the current fiscal year when made available.</p>		
		(809,285)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.</p>		
		(6,937)
<p>The issuance of long-term debt (e.g., bonds, leases) 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 premiums, 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>		
		576,378
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>		
Decrease in accrued interest	3,004	
Decrease in compensated absences	10,269	
Decrease in net other postemployment benefit obligation	(107,015)	
Increase to pension expense	<u>2,527,603</u>	
Total additional expenditures		2,433,861
<p>The internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>551,875</u>
Change in net position of governmental activities		<u>\$ 1,134,946</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
ASSETS				
Current assets:				
Cash and investments	\$ 9,414,024	\$ 8,934,332	\$ 3,698,244	\$ 421,135
Accounts receivable, net	608,736	138,596	127,444	8,596
Prepaid expenses	1,467	833	-	-
Total current assets	<u>10,024,227</u>	<u>9,073,761</u>	<u>3,825,688</u>	<u>429,731</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	4,106,271	7,616	-	-
Capital assets, not depreciated	347,994	3,033,749	-	3,645,601
Capital assets, net of accumulated depreciation	22,362,982	43,020,841	13,959	15,568,757
Total noncurrent assets	<u>26,817,247</u>	<u>46,062,206</u>	<u>13,959</u>	<u>19,214,358</u>
Total assets	<u>36,841,474</u>	<u>55,135,967</u>	<u>3,839,647</u>	<u>19,644,089</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	705,544	495,352	304,850	140,573
Total deferred outflows of resources	<u>705,544</u>	<u>495,352</u>	<u>304,850</u>	<u>140,573</u>
LIABILITIES				
Current liabilities:				
Accounts payable	387,554	342,312	324,890	5,142
Salaries payable	46,253	35,464	22,304	10,273
Accrued interest payable	179,888	429,757	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	1,473,550	-	-	200
Unearned revenue	-	-	72,017	-
Compensated absences, due within one year	84,588	86,040	30,648	22,150
Long-term debt, due within one year	385,000	1,308,735	-	-
Total current liabilities	<u>2,556,833</u>	<u>2,202,308</u>	<u>449,859</u>	<u>37,765</u>
Noncurrent liabilities:				
Compensated absences, due in more than one year	-	-	-	-
Other postemployment benefits obligation	115,818	136,712	55,302	26,391
Net pension liability	2,718,922	1,908,915	1,174,788	541,724
Long-term debt, due in more than one year	11,616,130	33,407,455	-	-
Total noncurrent liabilities	<u>14,450,870</u>	<u>35,453,082</u>	<u>1,230,090</u>	<u>568,115</u>
Total liabilities	<u>17,007,703</u>	<u>37,655,390</u>	<u>1,679,949</u>	<u>605,880</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	36,518	47,489	9,010	12,255
Deferred service concession arrangement receipts	-	-	-	-
Gain on refunding of debt	25,944	360,828	-	-
Total deferred inflows of resources	<u>62,462</u>	<u>408,317</u>	<u>9,010</u>	<u>12,255</u>
NET POSITION				
Net investment in capital assets	13,739,126	11,338,400	13,959	19,214,358
Restricted	1,076,451	-	-	-
Unrestricted	5,661,276	6,229,212	2,441,579	(47,831)
Total net position	<u>\$ 20,476,853</u>	<u>\$ 17,567,612</u>	<u>\$ 2,455,538</u>	<u>\$ 19,166,527</u>

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.

Net position of business-type activities

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(Continued)**

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ 989,851	\$ 23,457,586	\$ 1,170,533
717,714	1,601,086	1,761
<u>-</u>	<u>2,300</u>	<u>-</u>
<u>1,707,565</u>	<u>25,060,972</u>	<u>1,172,294</u>
306,563	4,420,450	-
6,479,422	13,506,766	-
<u>10,327,917</u>	<u>91,294,456</u>	<u>2,546,739</u>
<u>17,113,902</u>	<u>109,221,672</u>	<u>2,546,739</u>
<u>18,821,467</u>	<u>134,282,644</u>	<u>3,719,033</u>
<u>140,319</u>	<u>1,786,638</u>	<u>558,025</u>
<u>140,319</u>	<u>1,786,638</u>	<u>558,025</u>
265,999	1,325,897	109,651
10,757	125,051	33,482
8,835	618,480	-
616,970	616,970	-
159,122	159,122	-
-	1,473,750	-
-	72,017	-
24,242	247,668	75,681
<u>296,518</u>	<u>1,990,253</u>	<u>37,934</u>
<u>1,382,443</u>	<u>6,629,208</u>	<u>256,748</u>
4,964	4,964	-
29,089	363,312	115,281
540,739	6,885,088	2,150,434
<u>2,024,047</u>	<u>47,047,632</u>	<u>22,154</u>
<u>2,598,839</u>	<u>54,300,996</u>	<u>2,287,869</u>
<u>3,981,282</u>	<u>60,930,204</u>	<u>2,544,617</u>
12,377	117,649	47,223
90,000	90,000	-
<u>-</u>	<u>386,772</u>	<u>-</u>
<u>102,377</u>	<u>594,421</u>	<u>47,223</u>
14,486,774	58,792,617	2,486,651
-	1,076,451	-
<u>391,353</u>	<u>14,675,589</u>	<u>(801,433)</u>
<u>\$ 14,878,127</u>	<u>74,544,657</u>	<u>\$ 1,685,218</u>
	<u>(708,714)</u>	
	<u>\$ 73,835,943</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Operating revenues:				
Charges for services	\$ 9,139,387	\$ 8,042,174	\$ 5,724,230	\$ 675,713
Other	-	-	-	-
Total operating revenues	9,139,387	8,042,174	5,724,230	675,713
Operating expenses:				
Salaries and benefits	3,173,979	1,805,451	1,598,961	428,602
General and administrative	1,047,432	1,116,700	4,068,734	72,449
Supplies and miscellaneous	1,181,403	1,248,652	468,870	21,276
Parts and supplies	1,854,164	306,138	117,416	-
Utilities	1,355,674	708,116	15,554	50,329
Depreciation	828,721	2,244,109	5,458	348,087
Total operating expenses	9,441,373	7,429,166	6,274,993	920,743
Operating income (loss)	(301,986)	613,008	(550,763)	(245,030)
Nonoperating revenues (expenses):				
Interest income	56,100	38,154	18,062	1,504
Property taxes	-	81,721	-	-
Operating grants	-	-	165,445	-
Capital grants	-	-	-	-
Other nonoperating revenue	5,884	1,608	-	-
Gain (loss) on disposal of property	6,187	16,034	17,600	-
Interest expense	(562,057)	(1,236,972)	-	-
Other nonoperating expense	-	-	-	-
Total nonoperating revenues (expenses)	(493,886)	(1,099,455)	201,107	1,504
Income (loss) before capital contributions and transfers	(795,872)	(486,447)	(349,656)	(243,526)
Capital contributions	93,002	66,803	-	31,080
Transfers in	-	225,000	67,396	-
Transfers out	(66,318)	(7,438)	(484,009)	(47,318)
Change in net position	(769,188)	(202,082)	(766,269)	(259,764)
Net position - beginning	21,246,041	17,769,694	3,221,807	19,426,291
Net position - ending	\$ 20,476,853	\$ 17,567,612	\$ 2,455,538	\$ 19,166,527

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.

Change in net position of business-type activities

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ 730,293	\$ 24,311,797	\$ 3,280,235
<u>75</u>	<u>75</u>	<u>-</u>
<u>730,368</u>	<u>24,311,872</u>	<u>3,280,235</u>
492,458	7,499,451	1,908,954
1,329,036	7,634,351	687,725
602,622	3,522,823	60,737
44,158	2,321,876	111,066
23,773	2,153,446	349,805
<u>626,666</u>	<u>4,053,041</u>	<u>393,209</u>
<u>3,118,713</u>	<u>27,184,988</u>	<u>3,511,496</u>
<u>(2,388,345)</u>	<u>(2,873,116)</u>	<u>(231,261)</u>
6,775	120,595	1,500
90,157	171,878	-
1,381,206	1,546,651	-
1,902,294	1,902,294	-
18,436	25,928	33,985
-	39,821	1,284
(24,965)	(1,823,994)	-
<u>(7,369)</u>	<u>(7,369)</u>	<u>-</u>
<u>3,366,534</u>	<u>1,975,804</u>	<u>36,769</u>
<u>978,189</u>	<u>(897,312)</u>	<u>(194,492)</u>
188,023	378,908	-
191,583	483,979	489,000
<u>(51,809)</u>	<u>(656,892)</u>	<u>(7,472)</u>
1,305,986	(691,317)	287,036
<u>13,572,141</u>		<u>1,398,182</u>
<u>\$ 14,878,127</u>		<u>\$ 1,685,218</u>
	<u>(264,832)</u>	
	<u>\$ (956,149)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,242,713	\$ 8,060,253	\$ 5,714,813	\$ 671,819
Payments to suppliers	(5,488,623)	(3,152,834)	(4,658,586)	(143,063)
Payments to employees	(2,225,702)	(1,814,039)	(990,179)	(395,002)
Payments (to) from other funds	-	-	-	(19,000)
Net cash provided (used) by operating activities	<u>1,528,388</u>	<u>3,093,380</u>	<u>66,048</u>	<u>114,754</u>
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	(66,318)	217,562	(416,613)	(47,318)
Other nonoperating revenues	5,884	83,329	-	-
Property taxes	-	-	-	-
Operating grants	-	-	199,372	-
Net cash provided (used) by noncapital financing activities	<u>(60,434)</u>	<u>300,891</u>	<u>(217,241)</u>	<u>(47,318)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(83,562)	(1,210,137)	(4,853)	-
Proceeds from the sale of assets	6,187	16,034	17,600	-
Capital grants	-	-	-	-
Principal paid on notes	-	(294,860)	-	-
Principal paid on bonds	(370,000)	(970,000)	-	-
Interest paid	(562,900)	(1,272,138)	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,010,275)</u>	<u>(3,731,101)</u>	<u>12,747</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	<u>57,819</u>	<u>38,154</u>	<u>18,062</u>	<u>1,504</u>
Net cash provided (used) by investing activities	<u>57,819</u>	<u>38,154</u>	<u>18,062</u>	<u>1,504</u>
Net increase (decrease) in cash and cash equivalents	515,498	(298,676)	(120,384)	68,940
Cash and cash equivalents - beginning	<u>13,004,797</u>	<u>9,240,624</u>	<u>3,818,628</u>	<u>352,195</u>
Cash and cash equivalents - ending	<u>\$ 13,520,295</u>	<u>\$ 8,941,948</u>	<u>\$ 3,698,244</u>	<u>\$ 421,135</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ 534,042	\$ 24,223,640	\$ 3,283,312
Payments to suppliers	(1,923,736)	(15,366,842)	(1,307,489)
Payments to employees	(459,406)	(5,884,328)	(1,726,509)
Payments to other funds	170,767	151,767	-
Net cash provided (used) by operating activities	<u>(1,678,333)</u>	<u>3,124,237</u>	<u>249,314</u>
Cash flows from noncapital financing activities:			
Transfers from (to) other funds	139,774	(172,913)	481,528
Other nonoperating revenues	18,436	107,649	33,985
Property taxes	90,157	90,157	-
Operating grants	<u>1,381,206</u>	<u>1,580,578</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>1,629,573</u>	<u>1,605,471</u>	<u>515,513</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,618,425)	(2,916,977)	(816,162)
Proceeds from the sale of assets	-	39,821	1,284
Capital grants	1,902,294	1,902,294	-
Principal paid on notes	(20,536)	(315,396)	(37,934)
Principal paid on bonds	(260,000)	(1,600,000)	-
Interest paid	<u>(30,119)</u>	<u>(1,865,157)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(26,786)</u>	<u>(4,755,415)</u>	<u>(852,812)</u>
Cash flows from investing activities:			
Interest received	<u>7,193</u>	<u>122,732</u>	<u>1,500</u>
Net cash provided (used) by investing activities	<u>7,193</u>	<u>122,732</u>	<u>1,500</u>
Net increase (decrease) in cash and cash equivalents	(68,353)	97,025	(86,485)
Cash and cash equivalents - beginning	<u>1,364,767</u>	<u>27,781,011</u>	<u>1,257,018</u>
Cash and cash equivalents - ending	<u>\$ 1,296,414</u>	<u>\$ 27,878,036</u>	<u>\$ 1,170,533</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Reconciliation of operating income (loss) to cash provided (used) by operating activities:				
Operating income (loss)	\$ (301,986)	\$ 613,008	\$ (550,763)	\$ (245,030)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	828,721	2,244,109	5,458	348,089
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in accounts receivable	41,594	18,079	(9,417)	(3,896)
(Increase) decrease in prepaid expense	8,790	7,973	4,702	2,737
(Increase) decrease in deferred outflows of resources from pensions	(550,666)	(293,947)	(266,641)	(88,601)
Increase (decrease) in accounts payable	(58,741)	218,799	7,286	(1,746)
Increase (decrease) in salaries payable	19,311	10,914	6,110	1,754
Increase (decrease) in due to other funds	-	-	-	(19,000)
Increase (decrease) in advances from other funds	-	-	-	-
Increase (decrease) in deposits payable	61,732	-	-	-
Increase (decrease) in deferred inflows of resources from pensions	(61,812)	(80,380)	(15,250)	(20,741)
Increase (decrease) in net pension liability	1,520,731	350,772	879,186	139,652
Increase (decrease) in compensated absences	13,029	(4,069)	488	230
Increase (decrease) in other postemployment benefit obligations	7,685	8,122	4,889	1,306
Net cash provided (used) by operating activities	<u>\$ 1,528,388</u>	<u>\$ 3,093,380</u>	<u>\$ 66,048</u>	<u>\$ 114,754</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments - unrestricted	\$ 9,414,024	\$ 8,934,332	\$ 3,698,244	\$ 421,135
Cash and investments - restricted	4,106,271	7,616	-	-
Total cash and investments	<u>\$ 13,520,295</u>	<u>\$ 8,941,948</u>	<u>\$ 3,698,244</u>	<u>\$ 421,135</u>
Noncash investing, capital, and financing activities:				
Developer and other capital contributions	<u>\$ 93,002</u>	<u>\$ 66,803</u>	<u>\$ -</u>	<u>\$ 31,080</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Reconciliation of operating income (loss) to cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,388,345)	\$ (2,873,116)	\$ (231,261)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	626,666	4,053,043	393,209
Changes in assets, deferred outflows of resource, liabilities and deferred inflows of resources:			
(Increase) decrease in accounts receivable	(156,326)	(109,966)	3,077
(Increase) decrease in prepaid expense	10,417	34,619	10,724
(Increase) decrease in deferred outflows of resources from pensions	(87,828)	(1,287,683)	(357,748)
Increase (decrease) in accounts payable	65,436	231,034	(108,880)
Increase (decrease) in salaries payable	1,742	39,831	2,449
Increase (decrease) in due to other funds	195,247	176,247	-
Increase (decrease) in advances from other funds	(24,480)	(24,480)	-
Increase (decrease) in deposits payable	-	61,732	-
Increase (decrease) in deferred inflows of resources from pensions	(60,949)	(239,132)	(79,931)
Increase (decrease) in net pension liability	134,650	3,024,991	601,018
Increase (decrease) in compensated absences	3,868	13,546	10,727
Increase (decrease) in other postemployment benefit obligations	1,569	23,571	5,930
	<u>1,569</u>	<u>23,571</u>	<u>5,930</u>
Net cash provided (used) by operating activities	<u>\$ (1,678,333)</u>	<u>\$ 3,124,237</u>	<u>\$ 249,314</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and Investments - unrestricted	\$ 989,851	\$ 23,457,586	\$ 1,170,533
Cash and Investments - restricted	306,563	4,420,450	-
Total cash and investments	<u>\$ 1,296,414</u>	<u>\$ 27,878,036</u>	<u>\$ 1,170,533</u>
Noncash investing, capital, and financing activities:			
Developer and other capital contributions	<u>\$ 188,023</u>	<u>\$ 378,908</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	Successor Agency Private Purpose Trust Fund	Agency Fund
	<u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and investments	\$ 6,218,748	\$ 1,472,928
Receivables:		
Accounts, net	103,306	1,714
Prepaid items	180	-
Land held for resale	390,707	-
Restricted assets:		
Cash and investments with fiscal agents	3,100,292	261,744
Capital assets, not depreciated	389,566	-
Capital assets, net of accumulated depreciation	<u>3,797,317</u>	<u>-</u>
 Total assets	 <u>14,000,116</u>	 <u>1,736,386</u>
LIABILITIES		
Accounts payable	288,266	32,800
Accrued liabilities	-	294,920
Salaries and accrued liabilities	7,769	-
Accrued interest	768,500	-
Deposit payable	-	12,048
Due to other governments	-	824,682
Due to other bondholders	-	571,936
Long-term debt, due within one year	1,305,022	-
Long-term debt, due in more than one year	<u>43,734,336</u>	<u>-</u>
 Total liabilities	 <u>46,103,893</u>	 <u>\$ 1,736,386</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	 <u>\$ (32,103,778)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CHANGES FIDUCIARY IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Successor Agency Private Purpose Trust Fund</u>
ADDITIONS	
Property taxes	\$ 3,879,515
Interest income	46,136
Other payment received	<u>26,726</u>
Total additions	<u>3,952,377</u>
DEDUCTIONS	
General and administrative	367,144
Project expenses	584,551
Depreciation	199,337
Loss on sale of land	20,991
Interest on debts	<u>2,345,563</u>
Total deductions	<u>3,517,586</u>
Change in net position	434,791
Net position - beginning (restated)	<u>(32,538,569)</u>
Net position - ending	<u>\$ (32,103,778)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Madera, California (the “City”) was incorporated in 1907 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government.

The City has defined its reporting entity in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criterions for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship 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.

Blended component unit. The Madera Public Financing Authority (Financing Authority) was created in 1989. The Financing Authority is a joint exercise of joint powers. The City Council serves as directors of the Financing Authority. The purpose of the Financing Authority is to act as a financing/lending type of entity only. No separate annual financial statements are prepared for the Financing Authority.

Since the City Council previously served as the government board for this component unit, the City’s component unit was considered to be a blended component unit. Blended component units, although legally separate entities, are in substance, part of the City’s operations and so data from this unit was reported with the data of the primary government.

Discretely presented component unit. The Housing Authority of the City of Madera (Housing Authority) is a governmental entity authorized in accordance with state law to engage in the development, acquisition, leasing, and administration of low-rent housing programs. The Housing Authority is governed by a Board of Commissioners, which is comprised of members of the City Council. Management of the Housing Authority is appointed and held accountable to the Governing Board. The annual financial statements for the Housing Authority can be obtained at the Housing Authority’s administrative office.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental audits. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein the operations of each fund are accounted for in a separate set of self-balancing accounts that records resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* accounts for all the general revenues of the City not specifically levied or collected for by other City funds and for expenditures related to the rendering of general services by the City.

The *General Development Impact Fee Fund* accounts for and reports the proceeds of the AB1600 development impact fee monies that are restricted or committed to expenditures for the intended purposes.

The *Special Gas Tax Fund* accounts for and reports the proceeds of the City's share of state gasoline taxes, which are restricted or committed to expenditures for the street construction and street maintenance projects.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The *Water Fund* accounts for revenues and expenses of the operations of the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing and collection and depreciation.

The *Sewer Fund* accounts for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

The *Solid Waste Fund* accounts for revenues and expenses of the solid waste removal and street cleaning activities.

The *Drainage Operations Fund* accounts for the activities related to drainage.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods and services provided by one department of the City to other departments on a cost-reimbursement basis. The City has Internal Service Funds for Fleet Management and Replacement, Facility Maintenance, and Computer Replacement.

The *Successor Agency Private Purpose Trust Fund* accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

The *Agency Fund* is used to account for assets held by the City as an agent for individuals or private organizations and other governmental units. These include developer deposits, collections from the State of California, Federal, and Madera police department for assets forfeited, conduit debt, utility deposits, collections of payroll and related taxes and various restricted donations. Agency funds are custodial in nature (assets equals liabilities) and do not involve the measurement or results of operations. The City's Agency Fund accounts for assets held for other governments and various deposits held for individuals or private organizations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues, except for grants, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirement, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues items are considered to be measurable and available only when cash is received by the City.

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following private sector standards issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Cash and Investments

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

F. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditure/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

G. Land Held for Resale

Land held for resale is recorded as an asset at the lower of historical cost or estimated net realizable value.

H. 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 \$25,000 (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:

Buildings	25-30 years
Improvements	5-50 years
Equipment	4-15 years
Infrastructure	10-50 years

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

J. Unearned Revenue

Unearned revenue is that for which 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).

K. 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.

L. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Madera's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified in the following categories:

- ***Net investment in capital assets*** – This category 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 this category.
- ***Restricted net position*** – This category presents 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 net position*** – This category represents net amounts that do not meet the criteria for "restricted" or "net investment in capital assets".

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.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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*** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- ***Restricted*** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- ***Assigned*** – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- ***Unassigned*** – This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

This policy delegates to the Finance Director the authority to assign unassigned fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Property Taxes

Property taxes are assessed, collected and allocated by County of Madera throughout the fiscal year according to the following property tax calendar:

	<u>Secured</u>	<u>Unsecured</u>
Levy Dates	July 1	July 1
Lien Dates	January 1	January 1
Due Dates	November 1 and February 1	August 1
Delinquent After	December 10 and April 10	August 31

P. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

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

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 39,106,180	\$ 23,457,586	\$ 7,691,676	\$ 70,255,442
Restricted cash and investments with fiscal agents	-	4,420,450	3,362,036	7,782,486
Total	<u>\$ 39,106,180</u>	<u>\$ 27,878,036</u>	<u>\$ 11,053,712</u>	<u>\$ 78,037,928</u>

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

Cash and investments:	
Petty cash	\$ 7,744
Deposits with financial institutions	10,832,008
Investments	<u>67,198,176</u>
Total cash and investments	<u>\$ 78,037,928</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provision of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Investments Authorized by the Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amounts	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pooled Investments in the City:					
Local Agency Investment Fund	\$ 8,836,957	\$ 8,836,957	\$ -	\$ -	\$ -
Certificates of Deposit	4,233,000	499,000	1,246,000	2,488,000	-
U.S. Treasury Notes	3,991,200	3,991,200	-	-	-
U.S. Government Securities:					
Federal Home Loan Banks	4,476,250	999,300	-	3,476,950	-
Federal Home Loan Mortgage Corporation	3,297,048	905,088	157,291	2,234,669	-
Federal National Mortgage Association	4,328,727	414,577	-	3,914,150	-
Federal Farm Credit Bank Loan	1,496,050	-	1,000,000	496,050	-
U.S. Corporate Bonds	7,984,450	1,001,700	1,995,900	4,986,850	-
Investments held by bond trustee:					
Money Market Funds	4,820,493	4,820,493	-	-	-
Federal Home Loan Mortgage Corporation	14,611,824	3,727,446	4,918,132	5,966,246	-
Total pooled investments in the City	58,075,999	25,195,761	9,317,323	23,562,915	-
Investments in Successor Agency Private Purpose Trust Fund:					
Local Agency Investment Fund	6,032,844	6,032,844	-	-	-
Investments held by bond trustee:					
Money Market Funds	71,561	71,561	-	-	-
Federal Home Loan Banks	187,669	-	-	187,669	-
Federal Home Loan Mortgage Corporation	1,452,424	154,995	99,551	1,197,878	-
Federal National Mortgage Association	1,377,679	442,482	-	935,197	-
Total Investments in Successor Agency Private Purpose Trust Fund	9,122,177	6,701,882	99,551	2,320,744	-
Total Investments	\$ 67,198,176	\$ 31,897,643	\$ 9,416,874	\$ 25,883,659	\$ -

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations 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 minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amounts	Exempt From Disclosure	Rating as of Year-End					
			Aaa	Aa1	Aa2	Aa3	P-1	Not Rated
Pooled Investments in the City:								
Local Agency Investment Fund	\$ 8,836,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,836,957
Certificates of Deposit	4,233,000	-	-	-	-	-	-	4,233,000
U.S. Treasury Notes	3,991,200	3,991,200	-	-	-	-	-	-
U.S. Government Securities:	-	-	-	-	-	-	-	-
Federal Home Loan Banks	4,476,250	-	4,476,250	-	-	-	-	-
Federal Home Loan Mortgage Corporation	3,297,048	-	3,297,048	-	-	-	-	-
Federal National Mortgage Association	4,328,727	-	4,328,727	-	-	-	-	-
Federal Farm Credit Bank Loan	1,496,050	-	1,496,050	-	-	-	-	-
U.S. Corporate Bonds	7,984,450	-	978,400	2,997,600	1,004,600	2,003,550	1,000,300	-
Investments held by bond trustee:	-	-	-	-	-	-	-	-
Money Market Funds	4,820,493	-	-	-	-	-	-	4,820,493
Federal Home Loan Mortgage Corporation	14,611,824	-	-	-	-	-	-	14,611,824
Total pooled investments in the City	58,075,999	3,991,200	14,576,475	2,997,600	1,004,600	2,003,550	1,000,300	32,502,274
Investments in Successor Agency Private Purpose Trust Fund:								
Local Agency Investment Fund	6,032,844	-	-	-	-	-	-	6,032,844
Investments held by bond trustee:	-	-	-	-	-	-	-	-
Money Market Funds	71,561	-	-	-	-	-	-	71,561
Federal Home Loan Banks	187,669	-	187,669	-	-	-	-	-
Federal Home Loan Mortgage Corporation	1,452,424	-	1,452,424	-	-	-	-	-
Federal National Mortgage Association	1,377,679	-	1,377,679	-	-	-	-	-
Total Investments in Successor Agency Private Purpose Trust Fund	9,122,177	-	3,017,772	-	-	-	-	6,104,405
Total Investments	\$ 67,198,176	\$ 3,991,200	\$ 17,594,247	\$ 2,997,600	\$ 1,004,600	\$ 2,003,550	\$ 1,000,300	\$ 38,606,679

Concentration of Credit Risk

The investment policy of the City contains no limitations 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 investments across the City's funds are as follows:

Issuer	Investment Type	Reported Amount
JP Morgan Chase Bank NA	U.S. Corporate Bonds	\$ 7,984,450

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The City had no uncollateralized cash at June 30, 2017. As of June 30, 2017, \$10,833,437 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in accounts collateralized in accordance with State law as described above. As of June 30, 2017, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodial bank.

Local Agency Investment Fund

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 to the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The City's investments with LAIF at June 30, 2017 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgaged-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

At June 30, 2017, the City's investments in LAIF were \$8,836,957 and the Successor Agency's investments in LAIF were \$6,032,844, which was reported at fair value.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Valuation

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

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Price Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Pooled Investments in the City:				
Certificates of Deposit	\$ 4,233,000	\$ -	\$ 4,233,000	\$ -
U.S. Treasury Notes	3,991,200	3,991,200	-	-
U.S. Government Securities:				
Federal Home Loan Banks	4,476,250	-	4,476,250	-
Federal Home Loan Mortgage Corporation	3,297,048	-	3,297,048	-
Federal National Mortgage Association	4,328,727	-	4,328,727	-
Federal Farm Credit Bank Loan	1,496,050	-	1,496,050	-
U.S. Corporate Bonds	7,984,450	-	7,984,450	-
Investments Held by Bond Trustee:				
Federal Home Loan Mortgage Corporation	14,611,824	-	14,611,824	-
	<u>44,418,549</u>	<u>3,991,200</u>	<u>40,427,349</u>	<u>-</u>
Investments in Successor Agency Private Purpose Trust Fund:				
Investments held by bond trustee:				
U.S. Government Securities:				
Federal Home Loan Banks	187,669	-	187,669	-
Federal Home Loan Mortgage Corporation	1,452,424	-	1,452,424	-
Federal National Mortgage Association	1,377,679	-	1,377,679	-
	<u>3,017,772</u>	<u>-</u>	<u>3,017,772</u>	<u>-</u>
	<u>47,436,321</u>	<u>3,991,200</u>	<u>43,445,121</u>	<u>-</u>
Unclassified Investments				
Pooled Investments in the City:				
Local Agency Investment Fund	8,836,957			
Investments Held by Bond Trustee:				
Money Market Funds	4,820,493			
Investments in Successor Agency Private Purpose Trust Fund:				
Local Agency Investment Fund	6,032,844			
Investments held by bond trustee:				
Money Market Funds	<u>71,561</u>			
Total Investments	<u>\$ 67,198,176</u>			

Securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Certificates of deposit categorized as Level 2 are valued based on the rates currently offered for deposits of similar remaining maturities. Government agency securities, corporate bonds, and non-US securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – RECEIVABLES

Accounts Receivable

At June 30, 2017, accounts receivable of the City's major individual funds and nonmajor funds including the applicable allowance for uncollectible accounts are as follows:

<u>Governmental Activities</u>	<u>General</u>	<u>Special Gas Tax Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>			
Accounts receivable	\$ 3,954,404	\$ 857,799	\$ 578,997	\$ 5,391,200			
Less: allowance for uncollectibles	(14,949)	-	(210)	(15,159)			
Total accounts receivable, net	<u>\$ 3,939,455</u>	<u>\$ 857,799</u>	<u>\$ 578,787</u>	<u>\$ 5,376,041</u>			
<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Drainage Operations Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Accounts receivable	\$ 664,447	\$ 185,968	\$ 241,716	\$ 20,210	\$ 717,714	\$ 1,830,055	\$ 1,761
Less: allowance for uncollectibles	(55,711)	(47,372)	(114,272)	(11,614)	-	(228,969)	-
Total accounts receivable, net	<u>\$ 608,736</u>	<u>\$ 138,596</u>	<u>\$ 127,444</u>	<u>\$ 8,596</u>	<u>\$ 717,714</u>	<u>\$ 1,601,086</u>	<u>\$ 1,761</u>

The amount of the allowance for each fund is a management determination made by reviewing past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables. The allowance is evaluated at the end of the year for adequacy.

Notes Receivable

Residential Rehab Special Revenue Fund

The City was awarded a \$3 million dollar federal grant from the HOME Investment Program (HOME) administered through the State of California. The proceeds of this grant were used to provide a \$3 million loan to Madera Pacific Associates (MPS) for multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years. MPS is required to repay the loan through the net cash flow payments it receives from project operations. The loan balance at June 30, 2017 is \$2,962,234, which is recorded as a note receivable in the Residential Rehab special revenue fund.

The City was awarded a \$5 million dollar federal grant from the HOME Investment Program (HOME) administered through the State of California. The proceeds of this grant were used to provide a \$5 million loan to 100 Stadium Rd., L.P. for multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years. 100 Stadium Rd., L.P. is required to repay the loan through the net cash flow payments it receives from project operations. The loan balance at June 30, 2017 is \$5,034,343, which is recorded as a note receivable in the Residential Rehab special revenue fund.

Low and Moderate Income Housing Asset Special Revenue Fund

The Low and Moderate Income Housing Asset special revenue fund reports \$87,064 of notes receivable. These were loans funded from the former Redevelopment Agency to developers for construction of affordable housing or rehabilitation within the boundaries of the Redevelopment Project Area. These low interest-bearing loans are secured by deeds of trust. Maturities vary according to terms and disposition of property.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – RECEIVABLES (Continued)

Notes Receivable (Continued)

Forgivable Loans

The City administers the first time homebuyer, housing rehabilitation, and small business loan programs funded with various grants (i.e. CDBG, HOME, CalHome, NSP, etc.). Under these programs, individuals with incomes below certain levels are eligible to receive low interest loans. These loans are secured by deeds of trust on the properties. Deferred payment loans receivable under these forgivable loans are not required to be paid back unless the participating homeowner sells, transfers title to the property, or discontinues residence in the dwelling at which time the full amount of the deferred loan is due. These deferred payment loans are “nonperforming loans” and are not recorded as loans receivable in the financial statements. Loans and related items as of June 30, 2017 are summarized as follows:

<u>Loan Type</u>	<u>Outstanding Loan Balance</u>	<u>Due</u>
First-time homebuyer	\$ 5,549,007	30 years
Housing rehabilitation	1,069,299	30 years
Small business	552,278	10 years
Total	<u>\$ 7,170,584</u>	

NOTE 4 – INTERFUND ACTIVITY

Current Interfund Receivables/Payables

Current interfund balances that arise in the normal course of business are expected to be repaid shortly after the end of the fiscal year. Due to other funds represents short-term borrowing resulting from a fund’s temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. The following is a summary of current interfund balances as of June 30, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General fund	\$ 635,860	\$ -
Nonmajor funds:		
Rehab residential special revenue fund	205	19,095
Local transit enterprise fund	-	305,222
Golf course enterprise fund	-	311,748
Total	<u>\$ 636,065</u>	<u>\$ 636,065</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – INTERFUND ACTIVITY (Continued)

Long-term Interfund Receivables/Payables

As of June 30, 2017, balances for interfund loans were as follows:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Major funds:		
General fund	\$ 159,122	\$ -
Nonmajor funds:		
Golf course enterprise fund	<u>-</u>	<u>159,122</u>
Total	<u>\$ 159,122</u>	<u>\$ 159,122</u>

The advance of \$159,122 from the General Fund to the Golf Course Enterprise Fund was made for funding facility construction.

Transfers Between Funds

With City council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Major funds:		
General fund	\$ 4,194,996	\$ 854,610
General impact fee special revenue fund	65,241	564,754
Special gas tax special revenue fund	-	2,055,447
Water enterprise fund	-	66,318
Sewer enterprise fund	225,000	7,438
Solid waste enterprise fund	67,396	484,009
Drainage operations enterprise fund	-	47,318
Internal service fund	489,000	7,472
Nonmajor funds:		
Parking district special revenue fund	-	7,755
Street construction special revenue fund	-	465,000
Senior citizens services special revenue fund	49,736	-
Intermodal building special revenue fund	-	38
Park facilities special revenue fund	194,257	65,241
Community facilities district special revenue fund	-	800,000
Local transit enterprise fund	-	51,028
Golf course enterprise fund	191,583	-
Airport enterprise fund	<u>-</u>	<u>781</u>
Total	<u>\$ 5,477,209</u>	<u>\$ 5,477,209</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Deletions	Reclassifications	Transfers	Balance June 30, 2017
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 7,573,520	\$ -	\$ -	\$ -	\$ -	\$ 7,573,520
Construction in progress	<u>7,777,065</u>	<u>2,610,661</u>	<u>-</u>	<u>(718,388)</u>	<u>(190,201)</u>	<u>9,479,137</u>
Total capital assets not being depreciated	<u>15,350,585</u>	<u>2,610,661</u>	<u>-</u>	<u>(718,388)</u>	<u>(190,201)</u>	<u>17,052,657</u>
Capital assets being depreciated:						
Buildings and improvements	21,345,585	-	-	-	-	21,345,585
Equipment	11,745,174	810,109	(482,624)	190,201	(71,443)	12,191,417
Infrastructure	<u>289,547,145</u>	<u>1,032,949</u>	<u>(43,816)</u>	<u>718,388</u>	<u>-</u>	<u>291,254,666</u>
Total capital assets being depreciated	<u>322,637,904</u>	<u>1,843,058</u>	<u>(526,440)</u>	<u>908,589</u>	<u>(71,443)</u>	<u>324,791,668</u>
Less accumulated depreciation for:						
Buildings and improvements	6,191,774	415,261	-	-	-	6,607,035
Equipment	8,364,049	651,817	(482,624)	-	(66,590)	8,466,652
Infrastructure	<u>139,165,762</u>	<u>7,041,753</u>	<u>(41,732)</u>	<u>-</u>	<u>-</u>	<u>146,165,783</u>
Total accumulated depreciation	<u>153,721,585</u>	<u>8,108,831</u>	<u>(524,356)</u>	<u>-</u>	<u>(66,590)</u>	<u>161,239,470</u>
Governmental activities capital assets, net	<u>\$ 184,266,904</u>	<u>\$ (3,655,112)</u>	<u>\$ (2,084)</u>	<u>\$ 190,201</u>	<u>\$ (195,054)</u>	<u>\$ 180,604,855</u>

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

	Balance June 30, 2016	Additions	Deletions	Reclassifications	Transfers	Balance June 30, 2017
Business-Type Activities						
Capital assets not being depreciated:						
Land	\$ 9,026,517	\$ 500	\$ -	\$ -	\$ -	\$ 9,027,017
Construction in progress	<u>1,350,095</u>	<u>3,129,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,479,749</u>
Total capital assets not being depreciated	<u>10,376,612</u>	<u>3,130,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,506,766</u>
Capital assets being depreciated:						
Buildings and improvements	57,513,810	-	-	-	-	57,513,810
Equipment	4,973,304	-	(175,032)	-	71,443	4,869,715
Infrastructure	<u>95,517,487</u>	<u>160,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,678,367</u>
Total capital assets being depreciated	<u>158,004,601</u>	<u>160,880</u>	<u>(175,032)</u>	<u>-</u>	<u>71,443</u>	<u>158,061,892</u>
Less accumulated depreciation for:						
Buildings and improvements	27,143,136	1,739,492	-	-	-	28,882,628
Equipment	3,360,873	392,952	(175,032)	-	66,593	3,645,386
Infrastructure	<u>32,318,825</u>	<u>1,920,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,239,422</u>
Total accumulated depreciation	<u>62,822,834</u>	<u>4,053,041</u>	<u>(175,032)</u>	<u>-</u>	<u>66,593</u>	<u>66,767,436</u>
Business-type activities capital assets, net	<u>\$ 105,558,379</u>	<u>\$ (762,007)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,850</u>	<u>\$ 104,801,222</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 6,158,141
Public protection	122,935
Social services	11,981
Public ways and facilities	734,934
Community development	15,452
Culture and recreation	672,179
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	393,209

Total depreciation expense - governmental activities \$ 8,108,831

Business-type activities:

Water	\$ 828,721
Sewer	2,244,109
Solid waste	5,458
Drainage operations	348,087
Local transit	348,256
Airport	278,410

Total depreciation expense - business-type activities \$ 4,053,041

NOTE 6 – 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 8.

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 four types of items that qualify for reporting in this category and they are *unavailable revenue, deferred service concession agreement receipts and pension deferrals*.

- Unavailable revenue arises only under modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Special Gas Tax Fund	Park Development	Federal Aid Urban	Street Construction	Intermodal Building	Total
Other taxes	\$ 372,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372,263
Intergovernmental	226,701	504,443	54,314	105,558	323,510	18,526	1,233,052
Total	\$ 598,964	\$ 504,443	\$ 54,314	\$ 105,558	\$ 323,510	\$ 18,526	\$ 1,605,315

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

- On October 7, 2009, the City entered into an operation and management lease agreement (Agreement) with the Sierra Golf Management, Inc. (SGM), under which SMG will operate and collect user fees from the Madera Municipal Golf Course for the five years with an additional five years extension of the Agreement. SGM will pay the City installment payment over the course of the Agreement; the present value of these installment payments is \$130,000. SGM will also pay a “per round” rate that establishes an initial rate of \$1.00 per round but increases in later years. SGM is required to operate and maintain the golf course in accordance with the Agreement. The City reports the golf course and related equipment as capital assets with a carrying amount of \$2,028,861 at year-end, and reported a receivable and deferred inflow of resources in the amount of \$90,000 at year-end pursuant to the service concession arrangement.
- The City has a gain on refunding of debt reported in the government-wide statement of net position and the proprietary fund statement of net position. A gain on refunding of debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for gain on refunding of debt reported in the business-type activities of the government-wide statement of net position and the proprietary fund statement of net position are \$386,772.
- 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 8.

NOTE 7 – LONG-TERM LIABILITIES

Changes in the City’s long-term liabilities for the year ended June 30, 2017 were as follows:

	Balance			Balance	Due Within
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>One Year</u>
Governmental Activities					
Capital Leases:					
Police Facility	\$ 972,073	\$ -	\$ (81,760)	\$ 890,313	\$ 86,000
Madera Youth Center	528,893	-	(167,806)	361,087	176,197
Police In-car Camera lease	105,961	-	(31,202)	74,759	32,428
ERP System and Fire Truck	<u>1,395,218</u>	-	<u>(295,610)</u>	<u>1,099,608</u>	<u>303,675</u>
Total capital leases	3,002,145	-	(576,378)	2,425,767	598,300
Loans Payable:					
PG&E Energy Efficiency Retrofit loan	<u>98,022</u>	-	<u>(37,934)</u>	60,088	37,934
Total loans payable	98,022	-	(37,934)	60,088	37,934
Compensated absences	1,336,969	458	-	1,337,427	1,337,427
Net other postemployment benefit obligation	2,095,679	112,944	-	2,208,623	-
Net pension liability	<u>28,105,886</u>	<u>4,017,660</u>	<u>-</u>	<u>32,123,546</u>	<u>-</u>
Total	<u>\$ 34,638,701</u>	<u>\$ 4,131,062</u>	<u>\$ (614,312)</u>	<u>\$ 38,155,451</u>	<u>\$ 1,973,661</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Business-Type Activities					
Loans payable:					
CIEDB loan	\$ 7,931,050	\$ -	\$ (294,860)	\$ 7,636,190	\$ 303,735
Airport Hanger loan	<u>166,101</u>	-	<u>(20,536)</u>	<u>145,565</u>	<u>21,518</u>
Total loans payable	8,097,151	-	(315,396)	7,781,755	325,253
Bonds payable:					
Water Revenue Bonds, Series 2010	10,465,000	-	(300,000)	10,165,000	315,000
Less: unamortized bond discounts	(119,293)	-	5,423	(113,870)	-
1993 Variable Rate Demand Bonds (Madera Municipal Golf Course Refinancing Project)	2,435,000	-	(260,000)	2,175,000	275,000
Water and Wastewater Refunding Revenue Bonds, Series 2015	<u>30,070,000</u>	-	<u>(1,040,000)</u>	<u>29,030,000</u>	<u>1,075,000</u>
Total bonds payable	42,850,707	-	(1,594,577)	41,256,130	1,665,000
Compensated absences	239,086	13,546	-	252,632	247,668
Net other postemployment benefit obligation	339,741	23,572	-	363,313	-
Net pension liability	<u>3,860,097</u>	<u>3,024,991</u>	-	<u>6,885,088</u>	-
Total	<u>\$ 55,386,782</u>	<u>\$ 3,062,109</u>	<u>\$ (1,909,973)</u>	<u>\$ 56,538,918</u>	<u>\$ 2,237,921</u>

Governmental Activities Long-Term Debt

Capital Leases

Police Facility

In December 2005, the City entered into a capital lease agreement with La Salle Bank to lease a portion of the construction cost for the police facility. The entire purchase price of the police station was \$5,200,000. The leased portion of the police station was \$1,500,000 and is payable over a period of twenty years. Semi-annual payments on the contract are \$65,249. The effective interest rate on the contract is 5.120% per annum. At June 30, 2017, the outstanding balance of the police station capital lease was \$890,313.

The annual debt service requirements at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 86,000	\$ 44,497	\$ 130,497
2019	90,459	40,038	130,497
2020	95,150	35,347	130,497
2021	100,084	30,413	130,497
2022	105,274	25,223	130,497
2023-2026	<u>413,346</u>	<u>43,396</u>	<u>456,742</u>
Total	<u>\$ 890,313</u>	<u>\$ 218,914</u>	<u>\$ 1,109,227</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities Long-Term Debt (Continued)

Capital Leases (Continued)

Madera Youth Center

In May 2010, the City entered into a capital lease agreement with Municipal Finance Corporation to lease a portion of the construction of the Youth Center. The lease portion of the Youth Center was \$1,500,000 and is payable over a period of ten years. Semi-annual payments on the contract are \$194,257. The effective interest rate on the contract is 5% per annum. At June 30, 2017, the outstanding balance of the Youth Center capital lease was \$361,087.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 176,197	\$ 18,060	\$ 194,257
2019	184,890	9,250	194,140
Total	<u>\$ 361,087</u>	<u>\$ 27,310</u>	<u>\$ 388,397</u>

Police In-Car Camera

In August 2014, the City has entered into a capital lease agreement for the police department in-car camera system under which the related equipment will become the property of the City when all terms of the lease agreements are met. The purchase price of the equipment was \$157,755 and is payable over a period of five years. Quarterly payments on the contract are \$8,713. The effective interest rate on the contract is 3.87%. At June 30, 2017, the outstanding balance of the capital lease was \$74,759.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 32,428	\$ 2,426	\$ 34,854
2019	33,701	1,153	34,854
2020	8,630	83	8,713
Total	<u>\$ 74,759</u>	<u>\$ 3,662</u>	<u>\$ 78,421</u>

ERP and Fire Truck

In August 2015, the City has entered into a five-year equipment lease-purchase agreement for the purchase of Enterprise Resource Planning (ERP) system to be installed at the City Hall and a fire truck with Holman Capital Corporation. Holman Capital Corporation deposited \$1,540,065 into the Escrow Fund, which the Community Business Bank is the escrow agent, for the acquisition of the equipment and for the payment of issuance costs. The related equipment will become the property of the City when all terms of the lease agreements are met. The purchase price of the equipment was \$1,540,065 and is payable over a period of five years. Semi-monthly payments on the agreement are \$165,715. The effective interest rate on the contract is 2.71%. At June 30, 2017, the outstanding balance of the capital lease was \$1,099,608. The cash balance in the Escrow Fund held at the Community Business Bank as of June 30, 2017 is \$327,888. This remaining fund in the Escrow Fund account will be used to fund the acquisition of the equipment in the following fiscal year.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities Long-Term Debt (Continued)

Capital Leases (Continued)

ERP and Fire Truck (continued)

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 303,675	\$ 27,756	\$ 331,431
2019	311,960	19,470	331,430
2020	320,472	10,959	331,431
2021	163,501	2,215	165,716
Total	<u>\$ 1,099,608</u>	<u>\$ 60,400</u>	<u>\$ 1,160,008</u>

Loans Payable

PG&E Energy Efficiency Retrofit Loan

In June 2012, the City entered into a loan agreement with PG&E to convert old high pressure sodium lights with new energy efficient LED streetlights. The loan amount is \$249,731 and is payable over a period of 6.7 years with zero percent interest. Monthly payments on the loan are \$3,161. At June 30, 2017, the outstanding balance of the PG&E Energy Efficiency Retrofit Loan was \$60,088.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 37,934	-	\$ 37,934
2019	22,154	-	22,154
Total	<u>\$ 60,088</u>	<u>\$ -</u>	<u>\$ 60,088</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB) Loan

Loan payable to California Infrastructure and Economic Development Bank for the regional wastewater treatment plant upgrade and expansion project; semi-annual installments of \$383,084 to \$525,788, including interest at 3.01% per annum. At June 30, 2017, the outstanding balance of the California Infrastructure and Economic Development Bank loan was \$7,636,190.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 303,735	\$ 225,278	\$ 529,013
2019	312,877	215,998	528,875
2020	322,295	206,439	528,734
2021	331,996	196,592	528,588
2022	341,989	186,448	528,437
2023-2027	1,870,691	769,075	2,639,766
2028-2032	2,169,697	465,570	2,635,267
2033-2036	1,982,910	121,583	2,104,493
Total	<u>\$ 7,636,190</u>	<u>\$ 2,386,983</u>	<u>\$ 10,023,173</u>

Airport Hanger Loan

Loan payable to the Department of Transportation, Division of Aeronautics for the purchase of fourteen airplane hangars; annual installments of \$14,131 to \$27,180, including interest at 4.7829%. At June 30, 2017, the outstanding balance of the Department of Transportation, Division of Aeronautics loan was \$145,565.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 21,518	\$ 6,962	\$ 28,480
2019	22,547	5,933	28,480
2020	23,625	4,855	28,480
2021	24,755	3,725	28,480
2022	25,939	2,541	28,480
2023	27,181	1,000	28,181
Total	<u>\$ 145,565</u>	<u>\$ 25,016</u>	<u>\$ 170,581</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Bonds Payable

Water and Wastewater Revenue Bonds, Series 2006

Water and Wastewater Revenue Bonds, Series 2006 were issued by the Financing Authority in March 2006 for \$35,995,000. Proceeds from the bonds were used to refund \$2,225,000 of its 1996 Sewer Revenue Refunding Bonds, Series A, and for Water and Sewer System Capital Facilities. The bonds are due in annual installments of \$50,000 to \$2,055,000 through March 1, 2036, with interest payable semiannually on September 1 and March 1 of each year at 3.5% to 4.75%. The City has issued the Water and Wastewater Refunding Revenue Bonds, Series 2015 in December 2015 to refund the Water and Wastewater Revenue Bonds, Series 2006.

Water and Wastewater Refunding Revenue Bonds, Series 2015

Water and Wastewater Refunding Revenue Bonds, Series 2015 were issued by the Financing Authority in December 2015 for \$30,140,000. Proceeds from the bonds were used to refund \$30,440,000 of its Water and Wastewater Refunding Revenue Bonds, Series 2015. The bonds are due in annual installments of \$70,000 to \$2,080,000 through March 1, 2036, with interest payable semiannually on September 1 and March 1 of each year at 3.700%. At June 30, 2017, the outstanding balance of the Water and Wastewater Revenue Bonds was \$29,030,000.

The Financing Authority has pledged a portion of future water and wastewater revenue to repay the 2015 Water and Wastewater Revenue Bonds. Total principal and interest remaining on the agreement is \$40,939,190 payable through 2036.

The annual debt service requirements at June 30, 2017 are as follows:

Year Ending June 30,	Water			Sewer			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 70,000	\$ 72,150	\$ 142,150	\$ 1,005,000	\$ 1,001,960	\$ 2,006,960	\$ 1,075,000	\$ 1,074,110	\$ 2,149,110
2019	75,000	69,560	144,560	1,045,000	964,775	2,009,775	1,120,000	1,034,335	2,154,335
2020	75,000	66,785	141,785	1,080,000	926,110	2,006,110	1,155,000	992,895	2,147,895
2021	80,000	64,010	144,010	1,120,000	886,150	2,006,150	1,200,000	950,160	2,150,160
2022	85,000	61,050	146,050	1,165,000	844,710	2,009,710	1,250,000	905,760	2,155,760
2023-2027	475,000	256,225	731,225	6,510,000	3,544,045	10,054,045	6,985,000	3,800,270	10,785,270
2028-2032	555,000	162,060	717,060	7,805,000	2,247,195	10,052,195	8,360,000	2,409,255	10,769,255
2033-2036	535,000	50,135	585,135	7,350,000	692,270	8,042,270	7,885,000	742,405	8,627,405
Total	\$ 1,950,000	\$ 801,975	\$ 2,751,975	\$ 27,080,000	\$ 11,107,215	\$ 38,187,215	\$ 29,030,000	\$ 11,909,190	\$ 40,939,190

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Bonds Payable (Continued)

Water Revenue Bonds, Series 2010

Water Revenue Bonds, Series 2010 were issued by the Financing Authority in November 2010 for \$11,215,000. The City will use the proceeds from the Bonds along with the changing of water and sewer rates to bring the City into compliance with State Law to have the entire City on water meters by the year 2025. The bonds are due in annual installments of \$65,000 to \$745,000 through March 1, 2038, with interest payable semi-annually on September 1 and March 1 of each year at 4.5%. At June 30, 2017, the outstanding balance was \$10,165,000.

The Financing Authority has pledged a portion of future wastewater revenue to repay the 2010 Water Revenue Bonds. Total principal and interest remaining on the agreement is \$16,386,653, payable through 2038.

The Water Revenue Bonds, Series 2010 were issued at a discount which is being amortized over the life of the bonds resulting in an annual amortization of \$5,423. At June 30, 2017, the outstanding balance of the discount on the bonds was \$113,870.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 315,000	\$ 467,513	\$ 782,513
2019	320,000	458,063	778,063
2020	335,000	448,463	783,463
2021	345,000	441,763	786,763
2022	355,000	435,063	790,063
2023-2027	2,030,000	1,881,363	3,911,363
2028-2032	2,520,000	1,369,175	3,889,175
2033-2037	3,200,000	683,000	3,883,000
2038	745,000	37,250	782,250
Total	<u>\$ 10,165,000</u>	<u>\$ 6,221,653</u>	<u>\$ 16,386,653</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Bonds Payable (Continued)

1993 Variable Rate Demand Bonds

In May 1993, the Financing Authority issued Variable Rate Demand Bonds in the aggregate principal of \$5,280,000. The proceeds were used to redeem \$4,835,000 of its December 8, 1989 Lease Revenue Bonds, Series A, and \$262,450 for additional Golf Course construction. The bonds are due in annual installments of \$140,000 to \$350,000 beginning November 2001 with interest at a variable rate not to exceed 10.0% per annum payable semi-annually. Payments of principal and interest on the bonds are supported by an irrevocable direct draw letter of credit. At June 30, 2017, the variable interest rate was 0.92% and the outstanding balance of the Variable Rate Demand Bonds was \$2,175,000. Total principal and interest remaining on the agreement is payable through 2024.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 275,000	\$ 20,010	\$ 295,010
2019	285,000	17,480	302,480
2020	295,000	14,858	309,858
2021	310,000	12,144	322,144
2022	325,000	9,292	334,292
2023-2024	<u>685,000</u>	<u>9,522</u>	<u>694,522</u>
Total	<u>\$ 2,175,000</u>	<u>\$ 83,306</u>	<u>\$ 2,258,306</u>

Compensated Absences

The City's policy relating to compensated absences is described in Note 1. At June 30, 2017, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) balance is \$1,337,427 for governmental activities and \$252,632 for business-type activities. All compensated absence amounts above are generally liquidated by the fund incurring the expense.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS

AGENT MULTIPLE EMPLOYER PLANS

A. General Information

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Plan, agent multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

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

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

	Miscellaneous		
	1st Tier	2nd Tier	PEPRA
	Prior to January 1, 2011	January 1, 2011 thru December 31, 2013	On or after January 1, 2013
Hire Date			
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 - 55	50 - 63	52 - 67
Monthly benefits, as a % of annual salary	2.000% to 2.500%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	21.604%	21.604%	21.604%

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	188
Inactive employees entitled to but not yet receiving benefits	204
Active employees	200
Total	<u>592</u>

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

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

B. Net Pension Liability

The City's net pension liability for its Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plan is measured as of June 30 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
Mortality	Derived from 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 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 a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

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.

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

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

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

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Liability	Net Pension Liability/(Asset)
Balance at 6/30/2014	\$70,618,527	\$52,661,666	\$17,956,861
Changes in the year:			
Service cost	1,556,770	-	1,556,770
Interest on total pension liability	5,352,560	-	5,352,560
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	337,609	-	337,609
Plan to plan resource movement	-	394	(394)
Contributions - employer	-	1,948,033	(1,948,033)
Contributions - employees	-	775,135	(775,135)
Net investment income	-	282,173	(282,173)
Benefit payment, including refunds of employee contributions	(3,532,833)	(3,532,833)	-
Administrative expenses	-	(32,095)	32,095
Net changes	3,714,106	(559,193)	4,273,299
Balance at 6/30/2015	\$74,332,633	\$52,102,473	\$22,230,160

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the City for the Miscellaneous Plan, calculated using the discount rate for the Miscellaneous Plan, as well as what the City's 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%
\$ 31,649,861	\$ 22,230,160	\$ 14,398,335

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLAN (Continued)

D. Pension Expenses Deferred Outflows/Inflows of Resources Related to Pensions

The City recognized pension expense, deferred outflows or resources and deferred inflows of resources included a portion attributable to superior court employees. These employees are not employees of the City of Madera, however, disaggregated information was not available from CalPERS. The effect of this liability was deemed immaterial to the overall Net Pension Liability by City management.

For the year ended June 30, 2017, the City recognized pension expense of \$2,603,867. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,704,411	\$ -
Changes of assumptions	-	446,058
Differences between actual and expected experience	228,702	101,227
Net differences between projected and actual earnings on plan investments	2,835,478	-
Total	\$ 5,768,591	\$ 547,285

\$2,704,411 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	\$ 49,424
2018	414,282
2019	1,312,719
2020	740,470
2021	-
Therafter	-

E. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN

A. General Information about the Pension Plan

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 Madera (City) sponsors three safety rate plans (three police) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

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

	Safety		
	1st Tier	2nd Tier	PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 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	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3.000%	2.400% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	9.000%	11.500%
Required employer contribution rates	19.536%	16.656%	12.082%

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 \$1,001,595 for the fiscal year ended June 30, 2016.

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

The City’s contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2017 were \$1,806,992.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$16,778,473.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City's proportionate share 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, 2016 and 2015 was as follows:

Proportion - June 30, 2015	0.3400%
Proportion - June 30, 2016	0.3240%
Change - Increase (Decrease)	-0.0160%

For the year ended June 30, 2017, the City recognized pension expense of \$1,294,400. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,019,944	\$ -
Changes of assumptions	-	565,848
Differences between actual and expected experience	-	129,779
Net differences between projected and actual earnings on plan investments	2,779,984	-
Change in employer's proportion	488,923	177,409
Differences between the employer's actual contributions and the employer's proportionate share of contributions	374,885	-
Total	\$ 5,663,736	\$ 873,036

\$2,019,944 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	\$ 374,570
2018	369,653
2019	1,302,823
2020	723,710
2021	-
Therafter	-

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

C. Actuarial Assumptions

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.50% ⁽²⁾
Mortality	Derived from 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 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.

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.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for 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%
\$ 24,156,479	\$ 16,778,473	\$ 10,721,887

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 did not have and outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

Plan Description

The City of Madera Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees. Benefit provisions are negotiated and may be amended through agreements and memorandums of understanding between the City, its management employees, and union representing City employees. Membership in the Plan at the most recent valuation date July 1, 2016 consisted of the following: Eligible active employees were 216; enrolled eligible retirees were 18.

Eligibility

Membership of the Plan at the most recent valuation date July 1, 2016 consisted of the following:

	Management*	All Other Bargaining Group**
Eligibility	Retire directly from City at age 50 and 20 years City service, including 3 years with Management***	Retire directly from City at age 50 and 5 years CalPERS service (or disability retirement)
Medical	Retiree - City pays single premium including supplemental to Medicare and prescription drug premium when Medicare eligible. Must be enrolled at retirement; cannot re-elect coverage; spouse/family - retiree-paid	Retiree pays premium (until age 65 or Medicare eligible). Spouse/family-retiree-paid (until age 65 or Medicare eligible; cannot re-elect coverage)

*Benefits consistent with individual executive contracts

**Excludes City Council

***Management with 5 years City service can participate with payment of premium

Funding Policy

There is no statutory requirement for the City to pre-fund its OPEB obligation. The City has currently chosen to pay Plan benefits on a pay-as-you-go basis. There are no employee contributions. For fiscal year 2016-17, the City contributed approximately \$41,167 on a pay-as-you-go-basis for cash subsidy benefit payments and approximately \$70,466 for implied subsidy benefit payments.

Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligations

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the City's annual required contribution (OPEB costs), for the fiscal years ended June 30, 2015, 2016, and 2017, the amount actually contributed to the plan, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation:

Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 258,428	\$ 127,806	49%	\$ 2,309,496
June 30, 2016	\$ 256,100	\$ 130,176	51%	\$ 2,435,420
June 30, 2017	\$ 248,149	\$ 111,633	45%	\$ 2,571,936

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

The following table shows the components of City's annual OPEB cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year.

Annual required contribution (ARC)	\$ 247,518
Interest on net OPEB obligation	97,417
Adjustment to annual required contribution	<u>(96,786)</u>
Annual OPEB cost (expense)	248,149
Contributions made	<u>(111,633)</u>
Change in net OPEB obligation	136,516
Net OPEB obligation, beginning of the year	<u>2,435,420</u>
Net OPEB obligation, end of the year	<u>\$ 2,571,936</u>

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation, July 1, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 4,171,341
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,171,341</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 15,209,198
UAAL as a percentage of covered payroll	27%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

Actuarial Methods and Assumptions (continued)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 4,717,369	\$ 4,717,369	0%	\$ 12,328,640	38%
July 1, 2014	\$ -	\$ 4,817,463	\$ 4,817,463	0%	\$ 12,466,331	39%
July 1, 2016	\$ -	\$ 4,171,341	\$ 4,171,341	0%	\$ 15,209,198	27%

NOTE 10 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan was amended so that the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Since the plan assets are administered by an outside party and not subject to the claims of the City's general creditors, their assets and related liabilities are not on the City's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

NOTE 11 – RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of fifty-five cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors, consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such that the CSJVRMA is not considered a component unit of the City for financial reporting purposes.

General Liability Insurance coverage is addressed via retention maintained by the City and participation in CSJVRMA. The City maintains a self-insured retention level of \$100,000 and participates in the CSJVRMA risk pool for coverage up to \$1,000,000. CSJVRMA participates in an excess pool, which provides coverage from \$1,000,000 to \$29,000,000.

Workers' Compensation coverage is also addressed via a retention maintained by the City and participation in CSJVRMA. The City maintains a self-insured retention level of \$100,000 and participates in the CSJVRMA risk pool for additional coverage up to \$250,000. CSJVRMA also participates in an excess pool which provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance of approximately \$500,000 to the statutory limit.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2017, is presented as follows:

Statement of Net Position	
Current assets	\$ 28,521,106
Noncurrent assets	<u>72,463,113</u>
Total assets	<u>100,984,219</u>
Current liabilities	19,400,064
Noncurrent liabilities	<u>63,609,584</u>
Total liabilities	<u>83,009,648</u>
Total net position	<u>\$ 17,974,571</u>

Statement of Revenues, Expenses and Changes in Net Position	
Operating revenues	\$ 44,722,848
Operating expenses	<u>42,218,070</u>
Operating income (loss)	2,504,778
Nonoperating income (loss)	<u>34,961</u>
Increase (decrease) in net position	2,539,739
Net position - beginning of year	<u>15,434,832</u>
Net position - end of year	<u>\$ 17,974,571</u>

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Litigation

The City is currently a party to various claims and legal proceedings. In management’s opinion, the ultimate liabilities, if any, resulting from such claims and proceedings will not materially affect the financial position of the City.

Contingent Liabilities

On March 1, 1993, the City issued Certificates of Participation in the aggregate of \$10,250,000 for the benefit of Madera Community Hospital (Hospital), a California nonprofit public benefit corporation. The Hospital is not included in the City’s reporting entity. The City is obligated to make the purchase payments only from and to the extent that it receives revenue from the Hospital. They are not secured by any pledge of taxes or other revenues of the City. In addition, the purchase payments are insured by the Office of Statewide Health Planning and Development of the State of California. As of June 30, 2017, the City has not recorded revenues from the Hospital.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)

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 City'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 City anticipates such amounts, if any, will be immaterial.

Contractual Commitments

The City has active construction projects as of June 30, 2017. At year-end, the City's major contractual commitments are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water System Condition Assessment/Rehab	\$ 295,000	\$ 46,690	\$ 248,310
Sewer System Assement/Rehab	320,320	34,392	285,928
Transit Facility	415,000	269,072	145,928
Sewer Main Video Inspection	<u>536,000</u>	<u>54,158</u>	<u>481,842</u>
 Total	 <u>\$ 1,566,320</u>	 <u>\$ 404,312</u>	 <u>\$ 1,162,008</u>

In addition, the City has various contracts with developers for the cost of public improvements made through construction of new developments within the City. The agreements are for the reimbursement of reasonable costs for the construction of public improvements within the planned developments. The City agrees to reimburse developers for the City's proportionate share of the costs of improvements as determined by the City Engineer. The City will not reimburse any expenses beyond the actual and reasonable costs of installing the improvements.

Encumbrances

At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	\$ 57,992
General development impact fund	16,007
Special gas tax fund	77,887
Nonmajor governmental funds	<u>342,544</u>
 Total	 <u>\$ 494,430</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)

Operating Leases

In June 2014, the City entered into an operating lease agreement for computers for the City. The term of the agreement ends June 2017. Rental expense for the year ended June 30, 2017 was \$62,215.

In June 2013, the City entered into an operating lease agreement for copiers for the City. The term of the agreement ends June 2018. Rental expense for the year ended June 30, 2017 was \$33,322.

The future minimum payments anticipated under these commitments as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Computers	Copiers	Total
2018	\$ 62,215	\$ 33,322	\$ 95,537
	<u>\$ 62,215</u>	<u>\$ 33,322</u>	<u>\$ 95,537</u>

NOTE 13 – DEFICIT FUND BALANCE

Deficit Fund Balance

The City has accumulated fund deficits in the following individual funds:

Nonmajor enterprise funds

The Golf Course Fund has a net fund deficit of \$306,549. The deficit is due primarily to the \$2,435,000 outstanding bonds for the Madera Municipal Golf Course Refinancing Project. It is anticipated that the deficit in this fund will be eliminated through future revenues or transfers from other funds.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 – RESTATEMENTS OF BEGINNING NET POSITIONS

Prior Period Adjustments

Governmental Activities

The beginning net position 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 the errors in the prior year.

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.

Reclassification of Community Facilities District Agency Fund

During the current fiscal year, management determined that a portion of the Community Facilities District Fund was previously incorrectly classified as a special revenue fund. Rather, due to the nature of the activity of this fund and the City's role in only maintaining its financial records, it would more appropriately be classified as a fiduciary fund. Accordingly, all assets in this fund are now being reported in the City's Agency Fund. The result of this new classification was an increase of the opening net position of the governmental activities of \$2,167,151 and a decrease in the opening fund balance of the Community Facilities District Special Revenue Fund of \$557,993.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning net position	\$ 199,469,649	\$ 74,792,092	\$ 274,261,741
Prior period adjustments:			
Overstatement of accounts payable	139,858	-	139,858
Understatement of accounts receivable	510,540	-	510,540
Reclassification of Community Facilities District	2,167,151	-	2,167,151
Total prior period adjustments	<u>2,817,549</u>	<u>-</u>	<u>2,817,549</u>
Beginning net position, as restated	<u>\$ 202,287,198</u>	<u>\$ 74,792,092</u>	<u>\$ 277,079,290</u>

Reconciliation of the prior period ending to the current year beginning fund balances/net positions in the fund financial statements are as follows:

Description	Major Governmental Fund		Nonmajor Governmental Funds		Fiduciary Fund	Total
	General Fund	Residential Rehab	Community Facilities District	Successor Agency Private Purpose Trust Fund		
Beginning fund balance/net position	\$ 14,447,950	\$ 7,423,839	\$ 1,280,113	\$ (33,627,218)		\$ (10,475,316)
Prior period adjustments:						
Overstatement of accounts payable	139,858	-	-	2,006		141,864
(Overstatement) understatement of accounts receivable	10,540	500,000	-	28,204		538,744
Understatement of capital assets	-	-	-	1,062,509		1,062,509
Reclassification of Community Facilities District	-	-	(557,993)	(4,070)		(562,063)
Total prior period adjustments	<u>150,398</u>	<u>500,000</u>	<u>(557,993)</u>	<u>1,088,649</u>		<u>1,181,054</u>
Beginning fund balance/net position, as restated	<u>\$ 14,598,348</u>	<u>\$ 7,923,839</u>	<u>\$ 722,120</u>	<u>\$ (32,538,569)</u>		<u>\$ (9,294,262)</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 – SEGMENT INFORMATION

Segment information for the Water Fund, Sewer Fund, and Golf Course Fund was as follows:

	Water Fund	Sewer Fund	Golf Course Fund
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current assets	\$ 14,130,498	\$ 9,081,377	\$ 407,492
Capital assets	<u>22,710,976</u>	<u>46,054,590</u>	<u>2,028,861</u>
Total assets	<u>36,841,474</u>	<u>55,135,967</u>	<u>2,436,353</u>
Deferred outflows of resources:			
Deferred outflows of resources related to pensions	<u>705,544</u>	<u>495,352</u>	-
Total deferred outflows of resources	<u>705,544</u>	<u>495,352</u>	-
Liabilities:			
Current liabilities	2,556,833	2,202,308	752,902
Noncurrent liabilities	<u>14,450,870</u>	<u>35,453,082</u>	<u>1,900,000</u>
Total liabilities	<u>17,007,703</u>	<u>37,655,390</u>	<u>2,652,902</u>
Deferred inflows of resources:			
Deferred inflows of resources related to pensions	36,518	47,489	-
Deferred service concession arrangement receipts	-	-	90,000
Gain on refunding of debt	<u>25,944</u>	<u>360,828</u>	-
Total deferred inflows of resources	<u>62,462</u>	<u>408,317</u>	<u>90,000</u>
Net position:			
Net investment in capital assets	13,739,126	11,338,400	(146,139)
Restricted	1,076,451	-	-
Unrestricted	<u>5,661,276</u>	<u>6,229,212</u>	<u>(160,410)</u>
Total net position	<u>\$ 20,476,853</u>	<u>\$ 17,567,612</u>	<u>\$ (306,549)</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	\$ 9,139,387	\$ 8,042,174	\$ 93,797
Depreciation expense	(828,721)	(2,244,109)	-
Other operating expenses	<u>(8,612,652)</u>	<u>(5,185,057)</u>	<u>(90,675)</u>
Operating income (loss)	(301,986)	613,008	3,122
Nonoperating revenue (expenses):			
Investment income	56,100	38,154	618
Interest expense	(562,057)	(1,236,972)	(17,839)
Other nonoperating revenue (expenses)	12,071	99,363	(7,369)
Capital contributions	93,002	66,803	-
Transfers in	-	225,000	191,583
Transfers out	<u>(66,318)</u>	<u>(7,438)</u>	-
Change in net position	(769,188)	(202,082)	170,115
Beginning net position	<u>21,246,041</u>	<u>17,769,694</u>	<u>(476,664)</u>
Ending net position	<u>\$ 20,476,853</u>	<u>\$ 17,567,612</u>	<u>\$ (306,549)</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ 1,528,388	\$ 3,093,380	\$ 93,016
Noncapital financing activities	(60,434)	300,891	191,583
Capital and related financing activities	(1,010,275)	(3,731,101)	(282,175)
Investment activities	<u>57,819</u>	<u>38,154</u>	<u>1,036</u>
Net increase (decrease)	515,498	(298,676)	3,460
Beginning cash and cash equivalents	<u>13,004,797</u>	<u>9,240,624</u>	<u>305,220</u>
Ending cash and cash equivalents	<u>\$ 13,520,295</u>	<u>\$ 8,941,948</u>	<u>\$ 308,680</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND

On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the Bill”) which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay 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.

After the date of the 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.

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 389,566	\$ -	\$ -	\$ 389,566
Total capital assets not being depreciated	<u>389,566</u>	<u>-</u>	<u>-</u>	<u>389,566</u>
Capital assets being depreciated:				
Buildings and improvements	3,339,683	1,736,914	-	5,076,597
Equipment	<u>378,169</u>	<u>-</u>	<u>-</u>	<u>378,169</u>
Total capital assets being depreciated	<u>3,717,852</u>	<u>1,736,914</u>	<u>-</u>	<u>5,454,766</u>
Less accumulated depreciation for:				
Buildings and improvements	1,177,496	171,333	-	1,348,829
Equipment	<u>280,619</u>	<u>28,001</u>	<u>-</u>	<u>308,620</u>
Total accumulated depreciation	<u>1,458,115</u>	<u>199,334</u>	<u>-</u>	<u>1,657,449</u>
Capital assets, net	<u>\$ 2,649,303</u>	<u>\$ 1,537,580</u>	<u>\$ -</u>	<u>\$ 4,186,883</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

The following is a summary of long-term debt obligation transactions for the Successor Agency Trust Fund at June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
1998 Tax Allocation Bonds	\$ 5,695,000	\$ -	\$ (140,000)	\$ 5,555,000	\$ 140,000
Less: unamortized bond discounts	(64,213)	-	5,351	(58,862)	-
2003 Tax Allocation Bonds	14,590,000	-	(605,000)	13,985,000	635,000
Add: unamortized bond premiums	7,809	-	(460)	7,349	-
2008A Series Tax Allocation Bonds	23,070,000	-	(395,000)	22,675,000	415,000
2008B Series Tax Allocation Bonds	3,495,000	-	(85,000)	3,410,000	90,000
Less: unamortized bond discounts	(585,775)	-	26,624	(559,151)	-
Compensated absences	23,608	1,414	-	25,022	25,022
Total	\$ 46,231,429	\$ 1,414	\$ (1,193,485)	\$ 45,039,358	\$ 1,305,022

1998 Tax Allocation Bonds

On October 8, 1998, the Agency issued \$7,440,000 of 1998 Tax Allocation Redevelopment Project Bonds. The proceeds of the bonds were used to finance redevelopment activities within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance, sale and delivery of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 1999, with the final payment due in the year 2029. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.15% to 4.95%. Principal and interest will be paid from tax increment revenues consisting of a portion of taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2017 was \$5,555,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 1998 Tax Allocation Redevelopment Bonds. The bonds required 10% of the RDA property tax increment revenue. Total principal and interest remaining on the bonds is \$7,763,516 payable through 2029.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 140,000	\$ 260,098	\$ 400,098
2019	150,000	253,500	403,500
2020	155,000	246,406	401,406
2021	165,000	238,806	403,806
2022	170,000	230,850	400,850
2023-2027	2,890,000	888,250	3,778,250
2028-2029	1,885,000	90,606	1,975,606
Total	\$ 5,555,000	\$ 2,208,516	\$ 7,763,516

The 1998 Tax Allocation Bonds were issued at a discount of \$160,533, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$5,351. Unamortized bond discount as of June 30, 2017 was \$58,862.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2003 Tax Allocation Bonds

On October 23, 2003, the Agency issued \$19,495,000 of 2003 Tax Allocation Refunding and Redevelopment Project Bonds. The proceeds of the bonds were used to advance refund the Agency's 1993 Bond Anticipation Notes dated July 1, 1993, in an amount of \$7,201,007, to fund the acquisition and construction of new improvements within the Madera Redevelopment Project Area, to pay Agency housing set-aside obligations, to pay costs incurred in connection with the issuance, sale and delivery of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 2004, with the final payment due in the year 2034. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 2.00% to 5.00%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2017 was \$13,985,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2003 Tax Allocation Refunding Bonds. The bond required 34% of the RDA property tax increment revenues. Total principal and interest remaining on the bond is \$21,305,019 payable through 2033.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 635,000	\$ 678,856	\$ 1,313,856
2019	660,000	651,075	1,311,075
2020	690,000	622,200	1,312,200
2021	720,000	587,700	1,307,700
2022	760,000	554,400	1,314,400
2023-2027	2,455,000	2,284,650	4,739,650
2028-2032	4,870,000	1,699,638	6,569,638
2033	3,195,000	241,500	3,436,500
Total	<u>\$ 13,985,000</u>	<u>\$ 7,320,019</u>	<u>\$ 21,305,019</u>

The 2003 Tax Allocation Bonds were issued at a premium of \$13,799, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$459. Unamortized bond premium as of June 30, 2017 was \$7,349.

2008A Series Tax Allocation Bonds

On September 10, 2008, the Agency issued \$25,455,000 of 2008A Series Tax Allocation Bonds. The proceeds of the bonds were used to finance redevelopment activities within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 2010, with the final payment due in the year 2039. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.50% to 5.38%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2017 was \$22,675,000.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2008A Series Tax Allocation Bonds (continued)

The Agency has pledged a portion of future property tax increment revenue to repay the 2008A Series Tax Allocation Bonds. The bond required 41% of the RDA property tax increment revenue. Total principal and interest remaining on the bond is \$40,368,451 payable through 2039.

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 415,000	\$ 1,172,768	\$ 1,587,768
2019	430,000	1,153,598	1,583,598
2020	450,000	1,132,827	1,582,827
2021	475,000	1,110,983	1,585,983
2022	495,000	1,086,880	1,581,880
2023-2027	2,890,000	5,006,354	7,896,354
2028-2032	3,740,000	4,108,732	7,848,732
2033-2037	8,600,000	2,653,289	11,253,289
2038-2039	<u>5,180,000</u>	<u>268,020</u>	<u>5,448,020</u>
Total	<u>\$ 22,675,000</u>	<u>\$ 17,693,451</u>	<u>\$ 40,368,451</u>

The 2008A Series Tax Allocation Bonds were issued at a discount of \$692,753, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$23,092. Unamortized bond discount as of June 30, 2017 was \$484,928.

2008B Series Tax Allocation Bonds

On September 10, 2008, the Agency issued \$4,000,000 of 2008B Housing Set-Aside Subordinate Tax Allocation Bonds. The proceeds of the bonds were used to finance low and moderate-income housing within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance of the bond, and to fund the reserve account.

Principal payments are due annually commencing on September 1, 2010, with the final payment due in the year 2038. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.50% to 5.38%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2017 was \$3,410,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2008B Housing Set-Aside Subordinate Tax Allocation Bonds. The bond required 7% of the RDA property tax increment revenues. Total principal and interest remaining on the bond is \$6,128,938 payable through 2039.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2008B Series Tax Allocation Bonds (continued)

The annual debt service requirements at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 90,000	\$ 180,179	\$ 270,179
2019	90,000	177,233	267,233
2020	95,000	174,042	269,042
2021	100,000	170,686	270,686
2022	105,000	166,983	271,983
2023-2027	610,000	769,153	1,379,153
2028-2032	790,000	631,246	1,421,246
2033-2037	1,035,000	407,639	1,442,639
2038-2039	495,000	41,777	536,777
Total	<u>\$ 3,410,000</u>	<u>\$ 2,718,938</u>	<u>\$ 6,128,938</u>

The 2008B Series Tax Allocation Bonds were issued at a discount of \$106,026, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$3,533. Unamortized bond discount as of June 30, 2017 was \$74,221.

NOTE 17 – SPECIAL ASSESSMENT DEBT WITH NO CITY COMMITMENT

The City issued special tax and assessment bonds on behalf of property owners, pursuant to the Improvement Bond Act of 1915 and the Mellow-Roos Community Facilities Act of 1982, to finance the acquisition and construction of certain infrastructure improvements within the assessment districts and community facilities districts.

The City acts solely as an agent for those paying special tax and assessments and remits the amounts collected to the bondholders of these fixed-rate Improvement Bond Act of 1915 and Mellow-Roos Community Facilities Act of 1982 issues. The City is acting as an agent and is in no way liable for the special assessment debt.

The bonds are not general obligation of the City but are limited obligations, payable solely from special tax and assessments. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of the available funds of the City. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof is pledged to the payment of these bonds.

Noncommittal debt amounts issued and outstanding at June 30, 2017, are as follows:

	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
CFD 2006-1, Series Special Tax Bond	\$ 2,885,000	\$ 2,650,000

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 3,517,470	\$ 3,517,470	\$ 3,696,995	\$ 179,525
Sales and use taxes	7,750,000	7,750,000	8,741,373	991,373
Other taxes	1,131,500	1,131,500	1,321,157	189,657
Use of money and property	532,467	532,467	205,668	(326,799)
Franchises	685,000	685,000	649,415	(35,585)
Licenses and permits	683,970	683,970	701,825	17,855
Fines	949,500	949,500	734,193	(215,307)
Aid from governmental agencies:				
Federal	992,072	966,666	1,100,063	133,397
State	5,563,000	5,563,000	5,614,095	51,095
Other	223,987	223,987	178,068	(45,919)
Charges for current services	1,167,559	1,227,559	1,360,859	133,300
Miscellaneous	550,881	550,881	604,836	53,955
Total revenues	<u>23,747,406</u>	<u>23,782,000</u>	<u>24,908,547</u>	<u>1,126,547</u>
EXPENDITURES:				
Current:				
General government	2,262,177	2,272,299	1,659,616	612,683
Public protection	15,569,915	15,514,464	14,833,735	680,729
Social services	412,224	412,224	405,251	6,973
Public ways and facilities	3,402,937	3,402,937	2,687,550	715,387
Community development	3,030,305	2,910,529	2,709,786	200,743
Culture and recreation	3,836,520	3,896,020	3,831,163	64,857
Capital outlay	650,406	755,644	829,037	(73,393)
Debt service:				
Principal	130,497	207,948	400,658	(192,710)
Interest	-	-	87,410	(87,410)
Total expenditures	<u>29,294,981</u>	<u>29,372,065</u>	<u>27,444,206</u>	<u>1,927,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,547,575)</u>	<u>(5,590,065)</u>	<u>(2,535,659)</u>	<u>3,054,406</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,935,407	4,935,407	4,194,996	(740,411)
Transfers out	(821,280)	(821,280)	(854,610)	(33,330)
Sales of capital assets	5,000	5,000	37,027	32,027
Total other financing sources (uses)	<u>4,119,127</u>	<u>4,119,127</u>	<u>3,377,413</u>	<u>(741,714)</u>
Net change in fund balance	(1,428,448)	(1,470,938)	841,754	2,312,692
Fund balance - beginning (restated)	<u>14,598,348</u>	<u>14,598,348</u>	<u>14,598,348</u>	<u>-</u>
Fund balance - ending	<u>\$ 13,169,900</u>	<u>\$ 13,127,410</u>	<u>\$ 15,440,102</u>	<u>\$ 2,312,692</u>

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL DEVELOPMENT IMPACT FEE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Use of money and property	\$ 134,138	\$ 134,138	\$ 58,082	\$ (76,056)
Charges for current services	<u>1,854,940</u>	<u>1,854,940</u>	<u>1,839,370</u>	<u>(15,570)</u>
Total revenues	<u>1,989,078</u>	<u>1,989,078</u>	<u>1,897,452</u>	<u>(91,626)</u>
EXPENDITURES:				
Capital outlay	968,700	5,503,840	447,333	5,056,507
Debt service:				
Principal	<u>125,000</u>	<u>125,000</u>	-	<u>125,000</u>
Total expenditures	<u>1,093,700</u>	<u>5,628,840</u>	<u>447,333</u>	<u>5,181,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>895,378</u>	<u>(3,639,762)</u>	<u>1,450,119</u>	<u>5,089,881</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	65,241	65,241
Transfers out	<u>(564,754)</u>	<u>(564,754)</u>	<u>(564,754)</u>	<u>-</u>
Total other financing sources (uses)	<u>(564,754)</u>	<u>(564,754)</u>	<u>(499,513)</u>	<u>65,241</u>
Net change in fund balance	330,624	(4,204,516)	950,606	5,155,122
Fund balance - beginning	<u>11,422,919</u>	<u>11,422,919</u>	<u>11,422,919</u>	<u>-</u>
Fund balance - ending	<u>\$ 11,753,543</u>	<u>\$ 7,218,403</u>	<u>\$ 12,373,525</u>	<u>\$ 5,155,122</u>

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL GAS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 58,075	\$ 58,075
Aid from governmental agencies:				
Federal	680,450	680,450	128,375	(552,075)
State	1,312,368	1,312,368	1,424,242	111,874
Other	2,905,799	2,905,799	1,664,388	(1,241,411)
Total revenues	<u>4,898,617</u>	<u>4,898,617</u>	<u>3,275,080</u>	<u>(1,623,537)</u>
EXPENDITURES:				
Capital outlay	<u>2,309,760</u>	<u>8,865,472</u>	<u>641,865</u>	<u>8,223,607</u>
Total expenditures	<u>2,309,760</u>	<u>8,865,472</u>	<u>641,865</u>	<u>8,223,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,588,857</u>	<u>(3,966,855)</u>	<u>2,633,215</u>	<u>6,600,070</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>(2,779,452)</u>	<u>(2,779,452)</u>	<u>(2,055,447)</u>	<u>724,005</u>
Total other financing sources (uses)	<u>(2,779,452)</u>	<u>(2,779,452)</u>	<u>(2,055,447)</u>	<u>724,005</u>
Net change in fund balance	(190,595)	(6,746,307)	577,768	7,324,075
Fund balance - beginning	<u>8,885,034</u>	<u>8,885,034</u>	<u>8,885,034</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,694,439</u>	<u>\$ 2,138,727</u>	<u>\$ 9,462,802</u>	<u>\$ 7,324,075</u>

CITY OF MADERA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BUDGET CONTROL AND ACCOUNTING

BUDGETARY INFORMATION

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying schedules:

- Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.
- Reported budget amounts represent the original legally adopted budget as amended. Individual amendments were not material in relation to the original adopted budget amounts. The City Council may amend the budget to increase appropriations only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution. Management can transfer, without City Council approval, budgeted amounts provided they do not increase or decrease total fund appropriations adopted by the City Council.
- Unexpended budgeted amounts lapse at the end of the budget year. Spending control for the fund is established by the amount of expenditures budgeted for the fund, but management control is exercised at the budgetary line item levels.
- Expenditures may not legally exceed overall budgeted appropriations.
- The budgets of the City's capital projects are primarily "long-term" budgets which emphasize major programs and capital outlay plans extending over a number of fiscal periods. Therefore, no budget-to-actual schedules are presented for Capital Projects Funds.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2017:

General Fund

Capital outlay	\$ 73,393
Debt service - principal	192,710
Debt service - interest	87,410

The excess expenditures were covered by available fund balance in the funds.

CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY AND RELATED RATIOS
LAST 10 years*
As of June 30, 2017

	2015	2016	2017
Total Pension Liability			
Service cost	\$ 1,562,632	\$ 1,515,655	\$ 1,556,770
Interest on the total pension liability	4,865,000	5,085,808	5,352,560
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	(1,189,492)	-
Changes in benefit terms	-	(269,941)	337,609
Benefit payments, including refunds of employee contributions	(3,247,986)	(3,412,481)	(3,532,833)
Net change in total pension liability	3,179,646	1,729,549	3,714,106
Total pension liability - beginning	65,709,332	68,888,978	70,618,527
Total pension liability - ending (a)	\$ 68,888,978	\$ 70,618,527	\$ 74,332,633
 Plan Fiduciary Net Position			
Plan to plan resources	\$ -	\$ -	\$ 394
Contributions - employer	1,465,153	1,603,067	1,948,033
Contributions - employee	787,068	705,875	775,135
Net investment income	7,962,241	1,164,130	282,173
Administrative expenses	(55,556)	(59,277)	(32,095)
Benefit payments, including refunds of employee contributions	(3,247,986)	(3,412,481)	(3,532,833)
Net change in plan fiduciary net position	6,910,920	1,314	(559,193)
Plan fiduciary net position - beginning	45,749,432	52,660,352	52,661,666
Plan fiduciary net position - ending (b)	\$ 52,660,352	\$ 52,661,666	\$ 52,102,473
 Net pension liability - ending (a)-(b)	\$ 16,228,626	\$ 17,956,861	\$ 22,230,160
 Plan fiduciary net position as a percentage of the total pension liability	76.44%	74.57%	70.09%
 Covered payroll	\$ 8,601,515	\$ 8,841,088	\$ 9,754,797
 Net pension liability as percentage of covered payroll	188.67%	203.11%	227.89%

Notes to Schedule:

Benefit changes - None

Changes in assumptions - None

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

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 years*
As of June 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially required contribution (actuarially determined)	\$ 1,397,058	\$ 1,603,067	\$ 1,948,033	\$ 2,329,046
Contributions in relation to the actuarially determined contributions	<u>(1,397,058)</u>	<u>(1,603,067)</u>	<u>(1,948,033)</u>	<u>(2,329,046)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,601,515	\$ 8,841,088	\$ 9,754,797	\$ 10,780,624
Contributions as a percentage of covered payroll	16.24%	18.13%	19.97%	21.60%

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

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 years*
As of June 30, 2017**

	2015	2016	2017
Proportion of the net pension liability	0.33750%	0.34000%	0.32400%
Proportionate share of the net pension liability	\$ 12,759,288	\$ 14,009,122	\$ 16,778,473
Covered payroll	\$ 3,916,737	\$ 3,797,547	\$ 4,211,168
Proportionate share of the net pension liability as percentage of covered payroll	325.76%	368.90%	398.43%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	72.97%	69.13%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions. - None

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

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 years*
As of June 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,405,797	\$ 1,388,656	\$ 1,650,502	\$ 1,806,992
Contributions in relation to the actuarially determined contributions	<u>(1,405,797)</u>	<u>(1,388,656)</u>	<u>(1,650,502)</u>	<u>(1,806,992)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,916,737	\$ 3,797,547	\$ 4,211,168	\$ 4,428,574
Contributions as a percentage of covered payroll	35.89%	36.57%	39.19%	40.80%

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

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

**Other Postemployment Benefits Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 4,717,369	\$ 4,717,369	0%	\$ 12,328,640	38%
July 1, 2014	\$ -	\$ 4,817,463	\$ 4,817,463	0%	\$ 12,466,331	39%
July 1, 2016	\$ -	\$ 4,171,341	\$ 4,171,341	0%	\$ 15,209,198	27%

SUPPLEMENTARY INFORMATION

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
JUNE 30, 2017**

	Business Improvement District	Park Development	Parking District	Federal Aid Urban	Street Construction
ASSETS					
Cash and investments	\$ 8,712	\$ 95,786	\$ 96,309	\$ 118,442	\$ 214,640
Receivables:					
Accounts, net	1,368	54,314	2,350	167,913	323,510
Notes	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Land held for resale	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,080</u>	<u>\$ 150,100</u>	<u>\$ 98,659</u>	<u>\$ 286,355</u>	<u>\$ 538,150</u>
LIABILITIES					
Accounts payable	\$ 8,505	\$ 16,143	\$ 695	\$ 2,700	\$ 35,113
Salaries payable	-	-	71	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposit payable	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,505</u>	<u>16,143</u>	<u>766</u>	<u>2,700</u>	<u>35,113</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	54,314	-	105,558	323,510
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-</u>	<u>54,314</u>	<u>-</u>	<u>105,558</u>	<u>323,510</u>
FUND BALANCES (DEFICITS)					
Restricted:					
Community development	1,575	-	-	-	-
Park development	-	79,643	-	-	-
Parking improvements	-	-	97,893	-	179,527
Public works and transportation	-	-	-	178,097	-
Special assessment project	-	-	-	-	-
Law enforcement	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>1,575</u>	<u>79,643</u>	<u>97,893</u>	<u>178,097</u>	<u>179,527</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 10,080</u>	<u>\$ 150,100</u>	<u>\$ 98,659</u>	<u>\$ 286,355</u>	<u>\$ 538,150</u>

CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
JUNE 30, 2017
(Continued)

	<u>Senior Citizens Services</u>	<u>Landscape Assessment</u>	<u>Supplemental Law Enforcement</u>	<u>Intermodal Building</u>	<u>Economic Development</u>
ASSETS					
Cash and investments	\$ -	\$ 476,667	\$ 129,712	\$ 218,890	\$ 461,600
Receivables:					
Accounts, net	-	3,123	-	24,417	-
Notes	-	-	-	-	-
Prepaid items	-	-	525	-	-
Due from other funds	-	-	-	-	-
Land held for resale	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ -</u>	 <u>\$ 479,790</u>	 <u>\$ 130,237</u>	 <u>\$ 243,307</u>	 <u>\$ 461,600</u>
LIABILITIES					
Accounts payable	\$ -	\$ 570	\$ 4,787	\$ 156,160	\$ -
Salaries payable	-	-	-	178	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	59,262	-
Deposit payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>-</u>	 <u>570</u>	 <u>4,787</u>	 <u>215,600</u>	 <u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	18,526	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,526</u>	<u>-</u>
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>18,526</u>	 <u>-</u>
FUND BALANCES (DEFICITS)					
Restricted:					
Community development	-	-	-	-	461,600
Park development	-	-	-	-	-
Parking improvements	-	-	-	-	-
Public works and transportation	-	-	-	9,181	-
Special assessment project	-	479,220	-	-	-
Law enforcement	-	-	125,450	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances (deficits)	 <u>-</u>	 <u>479,220</u>	 <u>125,450</u>	 <u>9,181</u>	 <u>461,600</u>
 Total liabilities, deferred inflows of resources, and fund balances (deficits)	 <u>\$ -</u>	 <u>\$ 479,790</u>	 <u>\$ 130,237</u>	 <u>\$ 243,307</u>	 <u>\$ 461,600</u>

CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
JUNE 30, 2017
(Continued)

	Park Facilities	Residential Rehab	Low and Moderate Income Housing Asset	Community Facilities District	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and investments	\$ -	\$ 512,951	\$ 501,799	\$ 394,051	\$ 3,229,559
Receivables:					
Accounts, net	-	-	-	1,792	578,787
Notes	-	7,996,577	87,064	-	8,083,641
Prepaid items	-	-	-	-	525
Due from other funds	-	-	205	-	205
Land held for resale	-	-	1,060,000	-	1,060,000
	<u>-</u>	<u>-</u>	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
Total assets	<u>\$ -</u>	<u>\$ 8,509,528</u>	<u>\$ 1,649,068</u>	<u>\$ 395,843</u>	<u>\$ 12,952,717</u>
LIABILITIES					
Accounts payable	\$ -	\$ 97	\$ -	\$ 105	\$ 224,875
Salaries payable	-	-	2,117	-	2,366
Due to other funds	-	-	19,095	-	19,095
Unearned revenue	-	-	-	123,864	183,126
Deposit payable	-	-	74	-	74
	<u>-</u>	<u>-</u>	<u>74</u>	<u>-</u>	<u>74</u>
Total liabilities	<u>-</u>	<u>97</u>	<u>21,286</u>	<u>123,969</u>	<u>429,536</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	501,908
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,908</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,908</u>
FUND BALANCES (DEFICITS)					
Restricted:					
Community development	-	8,509,431	1,627,782	-	10,600,388
Park development	-	-	-	-	79,643
Parking improvements	-	-	-	-	277,420
Public works and transportation	-	-	-	-	187,278
Special assessment project	-	-	-	271,874	751,094
Law enforcement	-	-	-	-	125,450
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>-</u>	<u>8,509,431</u>	<u>1,627,782</u>	<u>271,874</u>	<u>12,021,273</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ -</u>	<u>\$ 8,509,528</u>	<u>\$ 1,649,068</u>	<u>\$ 395,843</u>	<u>\$ 12,952,717</u>

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

	Business Improvement District	Park Development	Parking District	Federal Aid Urban	Street Construction
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	23,061	-	17,802	-	-
Use of money and property	13	-	-	-	-
Fines	492	-	15,703	-	-
Intergovernmental	-	147,493	-	410,474	999,326
Charges for current services	185	-	870	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>23,751</u>	<u>147,493</u>	<u>34,375</u>	<u>410,474</u>	<u>999,326</u>
EXPENDITURES:					
Current:					
General government	25,888	-	32,767	-	-
Public protection	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	135,199	-	124,448	369,611
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>25,888</u>	<u>135,199</u>	<u>32,767</u>	<u>124,448</u>	<u>369,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,137)</u>	<u>12,294</u>	<u>1,608</u>	<u>286,026</u>	<u>629,715</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(7,755)	-	(465,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,755)</u>	<u>-</u>	<u>(465,000)</u>
Net change in fund balances	<u>(2,137)</u>	<u>12,294</u>	<u>(6,147)</u>	<u>286,026</u>	<u>164,715</u>
Fund balances - beginning (restated)	<u>3,712</u>	<u>67,349</u>	<u>104,040</u>	<u>(107,929)</u>	<u>14,812</u>
Fund balances - ending	<u>\$ 1,575</u>	<u>\$ 79,643</u>	<u>\$ 97,893</u>	<u>\$ 178,097</u>	<u>\$ 179,527</u>

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

	Senior Citizens Services	Landscape Assessment	Supplemental Law Enforcement	Intermodal Building	Economic Development
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	336,467	-	-	-
Use of money and property	-	-	508	21,503	2,822
Fines	-	-	-	-	-
Intergovernmental	-	-	133,732	226,830	-
Charges for current services	-	-	-	10,747	-
Miscellaneous	-	-	-	-	-
	<u>-</u>	<u>336,467</u>	<u>134,240</u>	<u>259,080</u>	<u>2,822</u>
Total revenues	<u>-</u>	<u>336,467</u>	<u>134,240</u>	<u>259,080</u>	<u>2,822</u>
EXPENDITURES:					
Current:					
General government	-	-	-	69,852	-
Public protection	-	-	100,934	-	-
Public ways and facilities	-	374,047	-	37,823	-
Community development	-	-	-	-	-
Capital outlay	-	-	21,771	169,651	156,500
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>374,047</u>	<u>122,705</u>	<u>277,326</u>	<u>156,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(37,580)</u>	<u>11,535</u>	<u>(18,246)</u>	<u>(153,678)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	49,736	-	-	-	-
Transfers out	-	-	-	(38)	-
	<u>49,736</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>-</u>
Total other financing sources (uses)	<u>49,736</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>-</u>
Net change in fund balances	49,736	(37,580)	11,535	(18,284)	(153,678)
Fund balances - beginning (restated)	(49,736)	516,800	113,915	27,465	615,278
Fund balances - ending	<u>\$ -</u>	<u>\$ 479,220</u>	<u>\$ 125,450</u>	<u>\$ 9,181</u>	<u>\$ 461,600</u>

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

	Park Facilities	Residential Rehab	Low and Moderate Income Housing Asset	Community Facilities District	Total Nonmajor Special Revenue Funds
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ 357,508	\$ 357,508
Other taxes	-	-	-	-	377,330
Use of money and property	-	80	10,156	1,828	36,910
Fines	-	-	-	-	16,195
Intergovernmental	-	597,135	30,439	-	2,545,429
Charges for current services	-	285,557	-	-	297,359
Miscellaneous	-	-	27,724	-	27,724
	<u>-</u>	<u>882,772</u>	<u>68,319</u>	<u>359,336</u>	<u>3,658,455</u>
Total revenues	-	882,772	68,319	359,336	3,658,455
EXPENDITURES:					
Current:					
General government	-	-	-	7,932	136,439
Public protection	-	-	-	-	100,934
Public ways and facilities	-	-	-	1,650	413,520
Community development	-	297,180	99,972	-	397,152
Capital outlay	-	-	247,942	-	1,225,122
Debt service:					
Principal	167,806	-	-	-	167,806
Interest	26,450	-	-	-	26,450
	<u>194,256</u>	<u>297,180</u>	<u>347,914</u>	<u>9,582</u>	<u>2,467,423</u>
Total expenditures	194,256	297,180	347,914	9,582	2,467,423
Excess (deficiency) of revenues over (under) expenditures	<u>(194,256)</u>	<u>585,592</u>	<u>(279,595)</u>	<u>349,754</u>	<u>1,191,032</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	194,257	-	-	-	243,993
Transfers out	<u>(65,241)</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(1,338,034)</u>
Total other financing sources (uses)	129,016	-	-	(800,000)	(1,094,041)
Net change in fund balances	(65,240)	585,592	(279,595)	(450,246)	96,991
Fund balances - beginning (restated)	<u>65,240</u>	<u>7,923,839</u>	<u>1,907,377</u>	<u>722,120</u>	<u>11,924,282</u>
Fund balances - ending	\$ -	\$ 8,509,431	\$ 1,627,782	\$ 271,874	\$ 12,021,273

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

	Local Transit Fund	Golf Course Fund	Airport Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and investments	\$ 3,523	\$ 2,117	\$ 984,211	\$ 989,851
Accounts receivable, net	534,924	98,812	83,978	717,714
Total current assets	<u>538,447</u>	<u>100,929</u>	<u>1,068,189</u>	<u>1,707,565</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	-	306,563	-	306,563
Capital assets, not depreciated	1,610,427	146,933	4,722,062	6,479,422
Capital assets, net of accumulated depreciation	949,587	1,881,928	7,496,402	10,327,917
Total noncurrent assets	<u>2,560,014</u>	<u>2,335,424</u>	<u>12,218,464</u>	<u>17,113,902</u>
Total assets	<u>3,098,461</u>	<u>2,436,353</u>	<u>13,286,653</u>	<u>18,821,467</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	87,381	-	52,938	140,319
Total deferred outflows of resources	<u>87,381</u>	<u>-</u>	<u>52,938</u>	<u>140,319</u>
LIABILITIES				
Current liabilities:				
Accounts payable	175,373	3,999	86,627	265,999
Salaries payable	6,591	-	4,166	10,757
Accrued interest payable	-	3,033	5,802	8,835
Due to other funds	305,222	311,748	-	616,970
Advances from other funds	-	159,122	-	159,122
Compensated absences, due within one year	15,654	-	8,588	24,242
Long-term debt, due within one year	-	275,000	21,518	296,518
Total current liabilities	<u>502,840</u>	<u>752,902</u>	<u>126,701</u>	<u>1,382,443</u>
Noncurrent liabilities:				
Compensated absences, due in more than one year	4,964	-	-	4,964
Other post employment benefits obligation	18,939	-	10,150	29,089
Net pension liability	336,736	-	204,003	540,739
Long-term debt, due in more than one year	-	1,900,000	124,047	2,024,047
Total noncurrent liabilities	<u>360,639</u>	<u>1,900,000</u>	<u>338,200</u>	<u>2,598,839</u>
Total liabilities	<u>863,479</u>	<u>2,652,902</u>	<u>464,901</u>	<u>3,981,282</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	8,323	-	4,054	12,377
Deferred service concession arrangement receipts	-	90,000	-	90,000
Total deferred inflows of resources	<u>8,323</u>	<u>90,000</u>	<u>4,054</u>	<u>102,377</u>
NET POSITION				
Net investment in capital assets	2,560,014	(146,139)	12,072,899	14,486,774
Unrestricted	(245,974)	(160,410)	797,737	391,353
Total net position	<u>\$ 2,314,040</u>	<u>\$ (306,549)</u>	<u>\$ 12,870,636</u>	<u>\$ 14,878,127</u>

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

	Local Transit Fund	Golf Course Fund	Airport Fund	Total Nonmajor Enterprise Funds
Operating revenues:				
Charges for services	\$ 107,015	\$ 93,797	\$ 529,481	\$ 730,293
Other	75	-	-	75
Total operating revenues	<u>107,090</u>	<u>93,797</u>	<u>529,481</u>	<u>730,368</u>
Operating expenses:				
Salaries and benefits	269,744	-	222,714	492,458
General and administrative	1,086,410	64,083	178,543	1,329,036
Supplies and miscellaneous	465,515	-	137,107	602,622
Parts and supplies	-	26,592	17,566	44,158
Utilities	-	-	23,773	23,773
Depreciation	348,256	-	278,410	626,666
Total operating expenses	<u>2,169,925</u>	<u>90,675</u>	<u>858,113</u>	<u>3,118,713</u>
Operating income (loss)	<u>(2,062,835)</u>	<u>3,122</u>	<u>(328,632)</u>	<u>(2,388,345)</u>
Nonoperating revenues (expenses):				
Interest income	1,344	618	4,813	6,775
Property taxes	-	-	90,157	90,157
Operating grants	1,381,206	-	-	1,381,206
Capital grants	621,156	-	1,281,138	1,902,294
Other revenue	-	-	18,436	18,436
Interest expense	-	(17,839)	(7,126)	(24,965)
Other nonoperating expense	-	(7,369)	-	(7,369)
Total nonoperating revenues (expenses)	<u>2,003,706</u>	<u>(24,590)</u>	<u>1,387,418</u>	<u>3,366,534</u>
Income (loss) before capital contributions and transfers	<u>(59,129)</u>	<u>(21,468)</u>	<u>1,058,786</u>	<u>978,189</u>
Capital contributions	188,023	-	-	188,023
Transfers in	-	191,583	-	191,583
Transfers out	(51,028)	-	(781)	(51,809)
Change in net position	77,866	170,115	1,058,005	1,305,986
Net position - beginning	<u>2,236,174</u>	<u>(476,664)</u>	<u>11,812,631</u>	<u>13,572,141</u>
Net position - ending	<u>\$ 2,314,040</u>	<u>\$ (306,549)</u>	<u>\$ 12,870,636</u>	<u>\$ 14,878,127</u>

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

	Local Transit Fund	Golf Course Fund	Airport Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ (73,178)	\$ 95,634	\$ 511,586	\$ 534,042
Payments to suppliers	(1,465,574)	(90,176)	(367,986)	(1,923,736)
Payments to employees	(269,151)	-	(190,255)	(459,406)
Payments to other funds	83,209	87,558	-	170,767
Net cash provided (used) by operating activities	<u>(1,724,694)</u>	<u>93,016</u>	<u>(46,655)</u>	<u>(1,678,333)</u>
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	(51,028)	191,583	(781)	139,774
Other nonoperating revenues	-	-	18,436	18,436
Property taxes	-	-	90,157	90,157
Operating grants	1,381,206	-	-	1,381,206
Net cash provided (used) by noncapital financing activities	<u>1,330,178</u>	<u>191,583</u>	<u>107,812</u>	<u>1,629,573</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(224,461)	-	(1,393,964)	(1,618,425)
Capital grants	621,156	-	1,281,138	1,902,294
Principal paid on notes	-	-	(20,536)	(20,536)
Principal paid on bonds	-	(260,000)	-	(260,000)
Interest paid	-	(22,175)	(7,944)	(30,119)
Net cash provided (used) by capital and related financing activities	<u>396,695</u>	<u>(282,175)</u>	<u>(141,306)</u>	<u>(26,786)</u>
Cash flows from investing activities:				
Interest received	1,344	1,036	4,813	7,193
Net cash provided (used) by investing activities	<u>1,344</u>	<u>1,036</u>	<u>4,813</u>	<u>7,193</u>
Net increase (decrease) in cash and cash equivalents	3,523	3,460	(75,336)	(68,353)
Cash and cash equivalents - July 1, 2016	-	305,220	1,059,547	1,364,767
Cash and cash equivalents - June 30, 2017	<u>\$ 3,523</u>	<u>\$ 308,680</u>	<u>\$ 984,211</u>	<u>\$ 1,296,414</u>

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

	Local Transit Fund	Golf Course Fund	Airport Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,062,835)	\$ 3,122	\$ (328,632)	\$ (2,388,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	348,256	-	278,410	626,666
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(180,268)	41,837	(17,895)	(156,326)
(Increase) decrease in prepaid expense	1,897	-	8,520	10,417
(Increase) decrease in deferred outflows of resources from pensions	(52,084)	-	(35,744)	(87,828)
Increase (decrease) in accounts payable	84,454	499	(19,517)	65,436
Increase (decrease) in salaries payable	711	-	1,031	1,742
Increase (decrease) in due to other funds	83,209	112,038	-	195,247
Increase (decrease) in advances from other funds	-	(24,480)	-	(24,480)
Increase (decrease) in deferred inflows of resources from pensions	(14,086)	(40,000)	(6,863)	(60,949)
Increase (decrease) in net pension liability	63,667	-	70,983	134,650
Increase (decrease) in compensated absences	1,468	-	2,400	3,868
Increase (decrease) in other postemployment benefit obligations	917	-	652	1,569
Net cash provided (used) by operating activities	<u>\$ (1,724,694)</u>	<u>\$ 93,016</u>	<u>\$ (46,655)</u>	<u>\$ (1,678,333)</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments - unrestricted	\$ 3,523	\$ 2,117	\$ 984,211	\$ 989,851
Cash and investments - restricted	-	306,563	-	306,563
Total cash and investments	<u>\$ 3,523</u>	<u>\$ 308,680</u>	<u>\$ 984,211</u>	<u>\$ 1,296,414</u>
Noncash investing, capital and financing activities:				
Developer and other capital contributions	<u>\$ 188,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,023</u>

**CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>Payroll Tax/Withholding Trust</u>				
ASSETS				
Cash and investments	\$ 297,804	\$ 27,772,355	\$ 27,723,351	\$ 346,808
Accounts receivable, net	10,970	335	11,279	26
Prepaid items	235,949	-	235,949	-
Total assets	<u>\$ 544,723</u>	<u>\$ 27,772,690</u>	<u>\$ 27,970,579</u>	<u>\$ 346,834</u>
LIABILITIES				
Accounts payable	\$ 20,579	\$ 6,212,571	\$ 6,181,236	\$ 51,914
Accrued liabilities	524,144	28,196,709	28,425,933	294,920
Total liabilities	<u>\$ 544,723</u>	<u>\$ 34,409,280</u>	<u>\$ 34,607,169</u>	<u>\$ 346,834</u>
<u>General Trust Fund</u>				
ASSETS				
Cash and investments	\$ 799,907	\$ 400,950	\$ 383,276	\$ 817,581
Total assets	<u>\$ 799,907</u>	<u>\$ 400,950</u>	<u>\$ 383,276</u>	<u>\$ 817,581</u>
LIABILITIES				
Accounts payable	\$ 9,861	\$ 383,323	\$ 412,333	\$ (19,149)
Accrued liabilities	813	23,078	23,891	-
Deposit payable	31,913	26,785	46,650	12,048
Due to other governments	757,320	364,271	296,909	824,682
Total liabilities	<u>\$ 799,907</u>	<u>\$ 797,457</u>	<u>\$ 779,783</u>	<u>\$ 817,581</u>
<u>Madera Groundwater JPA Comm</u>				
ASSETS				
Cash and investments	\$ 22,944	\$ 228	\$ 23,172	\$ -
Total assets	<u>\$ 22,944</u>	<u>\$ 228</u>	<u>\$ 23,172</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 327	\$ 22,845	\$ 23,172	\$ -
Due to other governments	22,617	-	22,617	-
Total liabilities	<u>\$ 22,944</u>	<u>\$ 22,845</u>	<u>\$ 45,789</u>	<u>\$ -</u>

**CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>Community Facilities Districts</u>				
ASSETS				
Cash and investments	\$ 301,354	\$ 598,608	\$ 591,423	\$ 308,539
Accounts receivable, net	2,012	2,264	2,588	1,688
Restricted cash and investments with fiscal agents	<u>254,627</u>	<u>183,498</u>	<u>176,381</u>	<u>261,744</u>
Total assets	<u>\$ 557,993</u>	<u>\$ 784,370</u>	<u>\$ 770,392</u>	<u>\$ 571,971</u>
LIABILITIES				
Accounts payable	\$ 886	\$ 9,478	\$ 10,329	\$ 35
Due to bondholders	<u>557,107</u>	<u>966,559</u>	<u>951,730</u>	<u>571,936</u>
Total liabilities	<u>\$ 557,993</u>	<u>\$ 976,037</u>	<u>\$ 962,059</u>	<u>\$ 571,971</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and investments	\$ 1,422,009	\$ 28,772,141	\$ 28,721,222	\$ 1,472,928
Accounts receivable, net	12,982	2,599	13,867	1,714
Prepaid items	235,949	-	235,949	-
Restricted cash and investments with fiscal agents	<u>254,627</u>	<u>183,498</u>	<u>176,381</u>	<u>261,744</u>
Total assets	<u>\$ 1,925,567</u>	<u>\$ 28,958,238</u>	<u>\$ 29,147,419</u>	<u>\$ 1,736,386</u>
LIABILITIES				
Accounts payable	\$ 31,653	\$ 6,628,217	\$ 6,627,070	\$ 32,800
Accrued liabilities	524,957	28,219,787	28,449,824	294,920
Deposit payable	31,913	26,785	46,650	12,048
Due to other governments	779,937	364,271	319,526	824,682
Due to bondholders	<u>557,107</u>	<u>966,559</u>	<u>951,730</u>	<u>571,936</u>
Total liabilities	<u>\$ 1,925,567</u>	<u>\$ 36,205,619</u>	<u>\$ 36,394,800</u>	<u>\$ 1,736,386</u>