

REPORT TO CITY COUNCIL

Approved by:



Tim Przybyla, Director of Financial Services



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: E-4

SUBJECT:

Acceptance of the Audited Financial Statements for the Fiscal Year ended June 30, 2018

RECOMMENDATION:

It is recommended City Council (Council) accept of Audited Financial Statements for Fiscal Year ended June 30, 2018.

SUMMARY:

The City of Madera's (City) Financial Statements for the Fiscal Year ended on June 30, 2018 have been audited by an independent accounting firm and an Unmodified Opinion (a clean opinion) has been issued.

DISCUSSION:

In accordance with the Single Audit Act of 1984 and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, the City is required to have an independent firm audit their Financial Statements whenever \$750,000 in Federal grants are received for any Fiscal Year. The audit must follow Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants and comply with the standards for financial audits set forth in the U.S. General Accounting Office's Governments Auditing Standards (1994). The audit completed for Fiscal Year ended June 30, 2018 complies with all the provisions and standards previously stated and the City's Financial Statements have been found to be in conformity with Generally Accepted Accounting Principles. The auditors are still working on the single audit as of the time that this report was being written. So, only the City's Financial Statements will be presented at this meeting.

Audit Results

The City received an unmodified opinion from the independent auditor. Per the auditor (page 1 of their letter):

"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, 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."

Copies of the most recent Audited Financial Statements and Single Audit Reports will be posted on the City's website.

Fausto Hinojosa, Managing Partner of Price Paige & Company will present the Financial Statements and discuss their results with the Council during this meeting. The Single Audit Report will be presented at a later date.

Looking Forward

For the upcoming audit of the City's 2018/2019 financial statements, staff will be preparing a request for proposals (RFP) for auditing services, as the contract with Price Paige & Company expired and was approved for one additional year for the completion of this audit.

FINANCIAL IMPACT:

The acceptance of these audited financial statements has no financial impact to the City.

ALTERNATIVES:

As an alternative the Council may wish to:

1. Not accept the financial statements for the Fiscal Year ended June 30, 2018

ATTACHMENTS:

City of Madera Financial Statements for the Year Ended June 30, 2018

**CITY OF MADERA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

**CITY OF MADERA
CALIFORNIA**

JUNE 30, 2018

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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, 2018, 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, 2018, 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 3-19, budgetary comparison information on pages 90-93, the schedules of changes in net pension liability and related ratios on page 94, schedule of contributions on pages 95 and 97, schedule of the City's proportionate share of the net pension liability on page 96, 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.

Emphasis of Matter

Implementation of New Accounting Standard

As disclosed in Note 9 of the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019, 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 4, 2019

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. 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 \$278.5 million. Of this amount, \$2.7 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 \$38.2 million and is dedicated to specific purposes. Lastly, net position of \$237.7 million is the City's net investment in capital assets.
- The City's total net position increased by \$1.2 million or 0.1% during 2017-2018 to \$278.5 million from \$277.3 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$54.0 million, an increase of \$4.7 million or 9.6% in comparison with the prior year. Approximately \$4.7 million or 8.6% of this amount is available for spending at the City's discretion (unassigned fund balance).
- The City's General Fund, including Measure K, Code Enforcement, Insurance Reserve, Payroll Clearing, Community Development and LEA Tire Grants, ended the year with a fund balance of \$18.0 million, which represents a net increase of approximately \$2.6 million from the previous year. The unassigned balance of \$4.7 million is available for carryover to fund future general fund expenditures.
- Net Pension Liability increased by \$4.3 million or 19.6% during 2017-2018 to \$26.5 million from \$22.2 million. Deferred outflows of resources related to pensions increased by \$1.2 million or 20.9% and deferred inflows of resources related to pensions decreased by \$0.8 million or 89.6%. 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 2017-2018 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, 20% 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 2018, 10% 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, 2018**

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 23-25 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, 2018**

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 26-29 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 30-37 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 38-39 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 40-87 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 90-98 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 100-111 of this report.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-wide Financial Analysis

Below is a table showing the City's net position for the fiscal year ended June 30, 2018, with comparative data for the fiscal year ended June 30, 2017.

City of Madera's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets: | | | | | | |
| Current and other assets | \$ 60,803,203 | \$ 55,225,939 | \$ 31,400,760 | \$ 27,996,610 | \$ 92,203,963 | \$ 83,222,549 |
| Capital assets | <u>178,001,695</u> | <u>180,604,855</u> | <u>102,307,394</u> | <u>104,801,222</u> | <u>280,309,089</u> | <u>285,406,077</u> |
| Total assets | <u>238,804,898</u> | <u>235,830,794</u> | <u>133,708,154</u> | <u>132,797,832</u> | <u>372,513,052</u> | <u>368,628,626</u> |
| Deferred outflows of resources | <u>11,385,568</u> | <u>9,645,689</u> | <u>2,285,596</u> | <u>1,786,638</u> | <u>13,671,164</u> | <u>11,432,327</u> |
| Liabilities: | | | | | | |
| Current and other liabilities | 3,209,607 | 2,596,215 | 4,478,541 | 3,615,189 | 7,688,148 | 6,211,404 |
| Long-term liabilities | <u>43,565,647</u> | <u>38,155,451</u> | <u>55,560,510</u> | <u>56,538,918</u> | <u>99,126,157</u> | <u>94,694,369</u> |
| Total liabilities | <u>46,775,254</u> | <u>40,751,666</u> | <u>60,039,051</u> | <u>60,154,107</u> | <u>106,814,305</u> | <u>100,905,773</u> |
| Deferred inflows of resources | <u>395,604</u> | <u>1,302,673</u> | <u>445,930</u> | <u>594,420</u> | <u>841,534</u> | <u>1,897,093</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 176,114,816 | 178,119,000 | 61,566,400 | 58,792,617 | 237,681,216 | 236,911,617 |
| Restricted | 37,033,179 | 34,863,951 | 1,125,151 | 1,076,451 | 38,158,330 | 35,940,402 |
| Unrestricted | <u>(10,128,387)</u> | <u>(9,560,807)</u> | <u>12,817,218</u> | <u>13,966,875</u> | <u>2,688,831</u> | <u>4,406,068</u> |
| Total net position | <u>\$ 203,019,608</u> | <u>\$ 203,422,144</u> | <u>\$ 75,508,769</u> | <u>\$ 73,835,943</u> | <u>\$ 278,528,377</u> | <u>\$ 277,258,087</u> |

As of June 30, 2018, the City's government-wide total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$278.5 million. Governmental activities finished the year with a positive net position balance of \$203 million, a decrease of \$0.4 million, or 0.2% compared to 2017. Business-type activities finished the year with a positive balance of \$75.5 million, an increase of \$1.7 million or less than 1% compared to 2017. Net position, as noted earlier, may serve over time as a useful indicator of the City's financial position. Of the total net position, \$237.7 million or 85.3% 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 increased by \$0.8 million, restricted net position increased by \$2.2 million and unrestricted net position decreased by \$1.7 million, accounting for the increase in total net position of nearly \$1.3 million. The increase in net investment in capital assets is due to additions to capital assets of \$7.2 million and an increase in liabilities of \$5.9 million, offset by depreciation expense of \$12.3 million. The increase to restricted net position represents the change in resources that are subject to external restrictions on their use. Net position restricted for public works and transportation increased by \$1.0 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, 2018**

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 \$38.2 million or 13.7% 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 \$2.7 million or 1.0% of the total net position, which is a decrease of \$1.7 million or 39.0% from the previous year. Governmental activities account for a negative \$10.1 million of the total unrestricted net position and decreased by \$0.6 million or 5.9% compared to last year. Business-type activities account for \$12.8 million of the total unrestricted net position and decreased by \$1.1 million or 8.2% compared to last year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental activities. Governmental activities account for \$203 million or 73% of the total government-wide net position. This is a decrease of \$0.4 million or 0.2% compared to June 30, 2017.

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

City of Madera's Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,096,044 | \$ 4,926,083 | \$ 27,912,340 | \$ 24,311,797 | \$ 33,008,384 | \$ 29,237,880 |
| Operating grants and contributions | 11,716,048 | 11,378,323 | 1,469,267 | 1,546,651 | 13,185,315 | 12,924,974 |
| Capital grants and contributions | 261,357 | 1,649,843 | 1,309,161 | 2,281,202 | 1,570,518 | 3,931,045 |
| General revenues: | | | | | | |
| Property taxes | 3,824,185 | 4,040,067 | 182,390 | 171,878 | 4,006,575 | 4,211,945 |
| Sales and use taxes | 12,923,918 | 9,112,909 | - | - | 12,923,918 | 9,112,909 |
| Franchise taxes | 666,238 | 649,415 | - | - | 666,238 | 649,415 |
| Other taxes | 1,707,452 | 1,694,786 | - | - | 1,707,452 | 1,694,786 |
| Investment earnings | 265,581 | 203,973 | 68,049 | 120,594 | 333,630 | 324,567 |
| Gain (loss) on sale of capital assets | - | 31,374 | 12,990 | 39,821 | 12,990 | 71,195 |
| Miscellaneous | 1,147,727 | 343,287 | 3,956 | 26,004 | 1,151,683 | 369,291 |
| Total revenues | 37,608,550 | 34,030,060 | 30,958,153 | 28,497,947 | 68,566,703 | 62,528,007 |
| Expenses | | | | | | |
| General government | 8,697,525 | 7,692,256 | - | - | 8,697,525 | 7,692,256 |
| Public safety | 18,425,675 | 12,903,321 | - | - | 18,425,675 | 12,903,321 |
| Public ways and facilities | 5,081,612 | 4,607,237 | - | - | 5,081,612 | 4,607,237 |
| Social services | 346,863 | 303,015 | - | - | 346,863 | 303,015 |
| Culture and recreation | 4,744,555 | 4,421,827 | - | - | 4,744,555 | 4,421,827 |
| Community development | 4,022,163 | 3,029,515 | - | - | 4,022,163 | 3,029,515 |
| Interest on long-term debt | 74,490 | 110,856 | - | - | 74,490 | 110,856 |
| Water | - | - | 9,262,549 | 10,066,546 | 9,262,549 | 10,066,546 |
| Sewer | - | - | 9,854,304 | 8,758,885 | 9,854,304 | 8,758,885 |
| Solid waste | - | - | 5,811,095 | 6,305,944 | 5,811,095 | 6,305,944 |
| Drainage operations | - | - | 887,698 | 956,287 | 887,698 | 956,287 |
| Local transit | - | - | 2,166,293 | 2,184,533 | 2,166,293 | 2,184,533 |
| Golf course | - | - | 199,012 | 115,882 | 199,012 | 115,882 |
| Airport | - | - | 1,163,134 | 893,106 | 1,163,134 | 893,106 |
| Total expenses | 41,392,883 | 33,068,027 | 29,344,085 | 29,281,183 | 70,736,968 | 62,349,210 |
| Increase (decrease) in net position before transfers | (3,784,333) | 962,033 | 1,614,068 | (783,236) | (2,170,265) | 178,797 |
| Transfers | 374,407 | 172,913 | (372,671) | (172,913) | 1,736 | - |
| Increase (decrease) in net position | (3,409,926) | 1,134,946 | 1,241,397 | (956,149) | (2,168,529) | 178,797 |
| Net position - beginning | 203,422,144 | 199,469,649 | 73,835,943 | 74,792,092 | 277,258,087 | 274,261,741 |
| Prior period adjustments | 3,007,390 | 2,817,549 | 431,429 | - | 3,438,819 | 2,817,549 |
| Net position - beginning, as restated | 206,429,534 | 202,287,198 | 74,267,372 | 74,792,092 | 280,696,906 | 277,079,290 |
| Net position - ending | \$ 203,019,608 | \$ 203,422,144 | \$ 75,508,769 | \$ 73,835,943 | \$ 278,528,377 | \$ 277,258,087 |

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Total governmental revenues for the year were \$37.6 million, which is \$3.6 million or 10.5% more than in 2017.

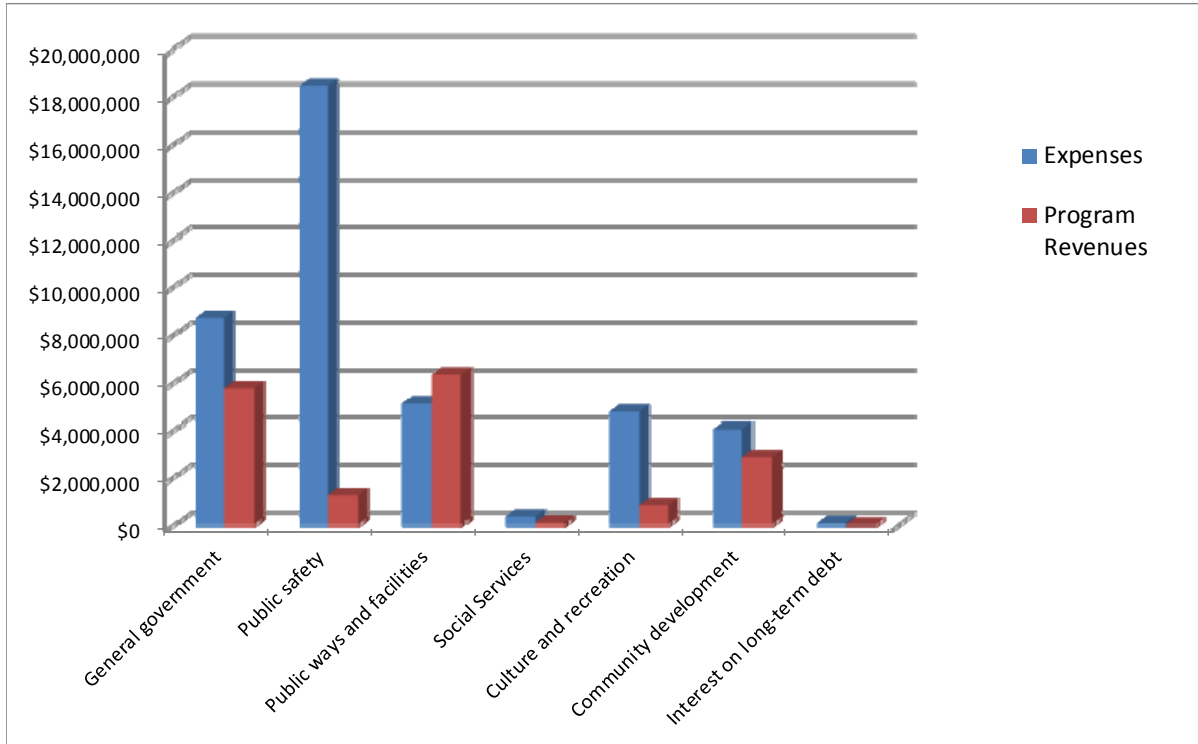
- Operating grants and contributions increased by \$0.3 million or 2.9% from the previous year.
- Capital grants and contributions decreased by \$1.4 million or 84.2% from the previous year.
- Taxes, including property, sales, franchise, and other taxes account for approximately \$19.1 million or 50.8% of the City's governmental activities revenue. Total tax revenue increased \$3.6 million or 10.5% from the previous year primarily due to increases in sales and use taxes, including Measure K.
- Investment earnings increased by \$62,000 or 30.2% from the previous year due primarily to higher rates of return on investments and a \$4.3 million or 11.3% increase in cash and investments compared to the prior fiscal year.

Total governmental expenses for the year were \$41.4 million, which is \$8.3 million or 25.2% more than in 2017.

- General governmental expenses increased by \$1.0 million or 13.1% from the previous fiscal year due to a retrospective adjustment of roughly \$476,000 in the current fiscal year with no retrospective adjustment in 2017, plus a \$475,000 GASB 68 adjustment in 2017 that did not happen in the current fiscal year.
- Public safety increased by \$5.5 million or 42.8% from the previous year due primarily to Measure K.
- Public ways and facilities increased by \$0.5 million or 10.3% from the previous year due to increases of \$119,000 in depreciation expense, \$95,000 in developer reimbursements and \$185,000 in vehicle and equipment costs.
- Culture and recreation increased by \$0.3 million or 7.3% from the previous year.
- Community development expenses increased by \$1.0 million or 32.8% due to increases of \$640,000 in salaries and benefits, \$204,000 in rehabilitation assistance, and \$103,000 in contracted services compared to 2017.

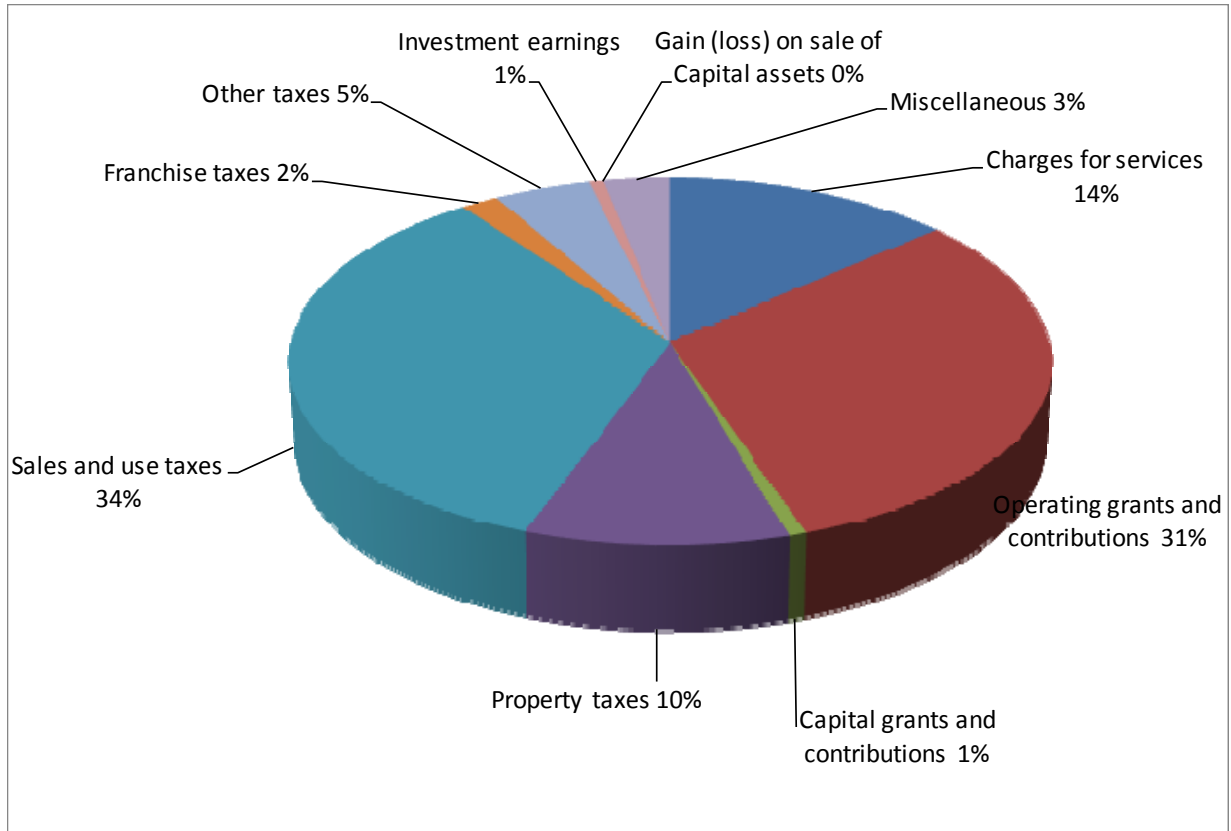
**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Expenses and Program Revenues - Governmental Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Revenues by Source - Governmental Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental program revenues that include charges for services and grants specific to certain programs account for \$17.1 million or 45.4% 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 \$75.5 million or 27.1% of the total government-wide net position. This is an increase of \$1.7 million from the prior year. Net investment in capital assets accounts for \$61.6 million or 81.5% of the total net position and is an increase of \$2.8 million from 2017. Restricted net position accounts for \$1.1 million, or 1.5% of total net position, represents an increase of \$49,000 from 2017. Unrestricted net position of \$13.8 million, or 18.3% of total net position, represents a decrease of \$0.9 million from 2017.

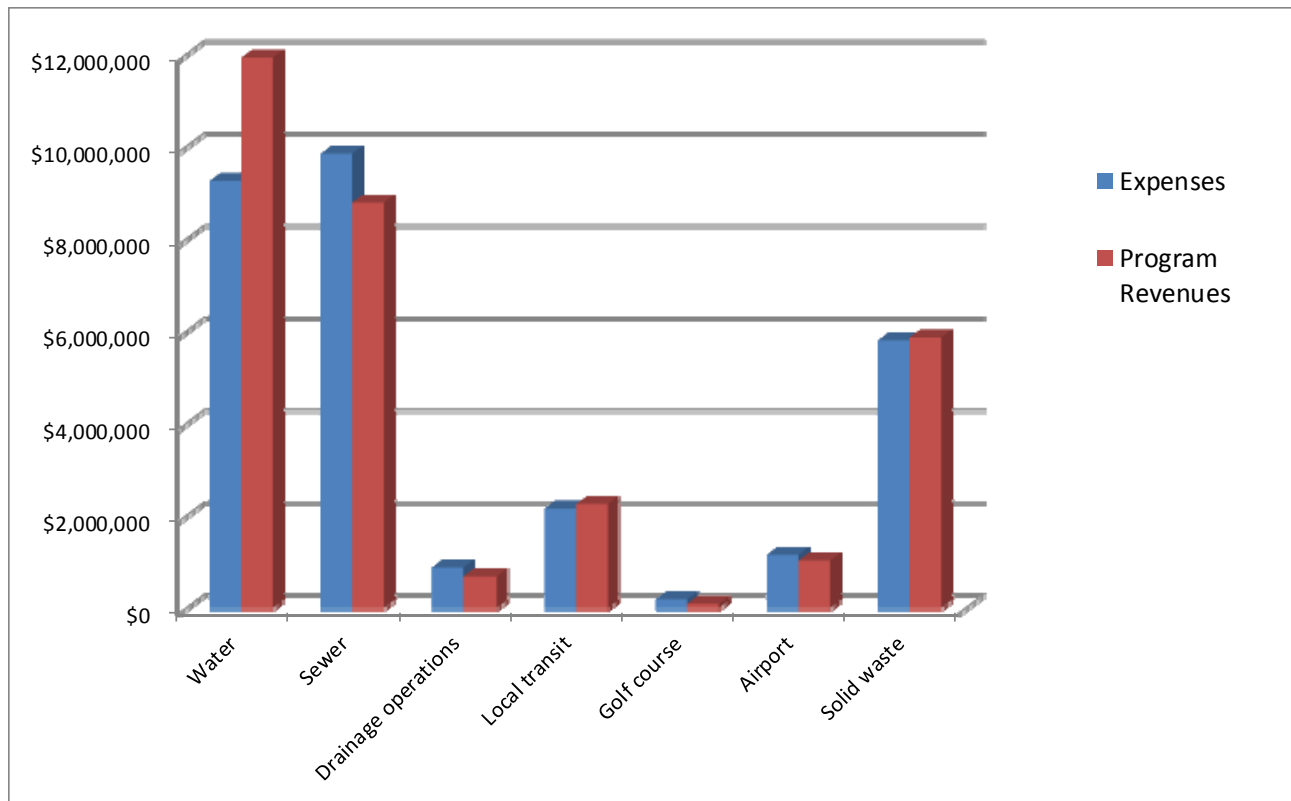
Total business-type revenue for the year was \$31.0 million, which is \$2.5 million or 8.6% more than in 2017.

Charges for services increased by \$3.6 million or 14.8% from the prior year primarily due to a rate increase that took effect July 1, 2017. 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 decreased by \$77 thousand or 5.0% from the prior year primarily due to a \$74 thousand reduction in the solid waste tire cleanup grant.

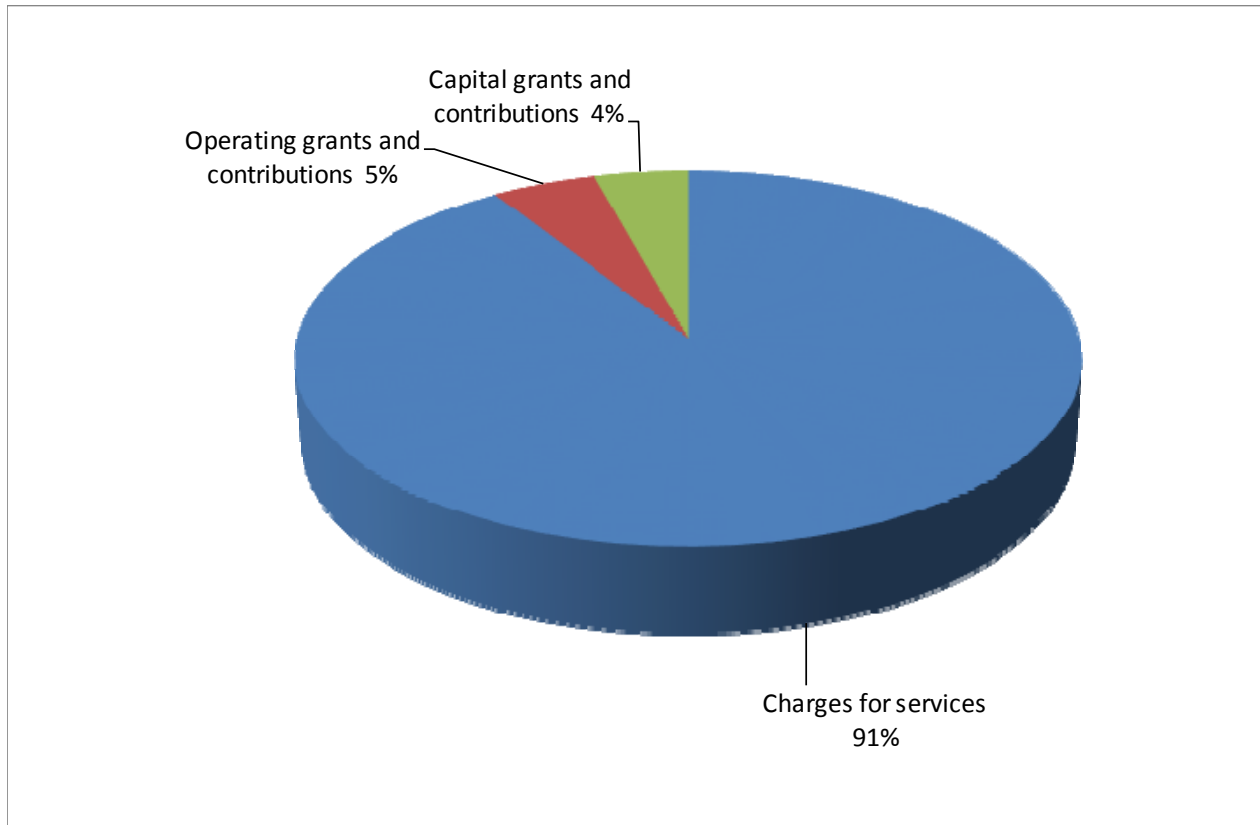
Capital grants and contributions decreased by \$1.0 million or 42.6% from the prior year primarily due to a \$1 million decrease in capital contributions related to infrastructure.

Expenses and Program Revenues-Business-Type Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$63 thousand or less than 0.2% more than in 2017.

Water expenses decreased by \$0.8 million or 8.0% compared to the prior fiscal year, due primarily to a \$757 thousand reduction in public employee retirement system costs that resulted from a GASB 68 adjustment in 2017 without such an adjustment in the current fiscal year.

Sewer expenses increased by \$1.1 million or 12%, due primarily to increases of \$659,000 in salaries and benefits, \$147,000 in contracted services and \$270,000 more of expensed capital outlay than in 2017.

Solid Waste expenses decreased by \$0.5 million or 7.8%, due primarily to a \$561 thousand reduction in public employee retirement system costs that resulted from a GASB 68 adjustment in 2017 without such an adjustment in the current fiscal year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$54.0 million, \$4.7 million more than the previous year. The increase is primarily due to revenues in excess of expenditures during the fiscal year. There was a decrease in unassigned fund balances of \$9.3 million, resulting primarily from a commitment of \$11.6 million to Budget Stabilization Reserves and a \$2.1 million increase in total restricted Fund Balance compared to 2017.

Of the total fund balance, \$4.7 million or 8.6% 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 | \$ 67,086 |
| Prepaid items | 48,337 |
| Long-term interfund advances | 134,641 |
| Land held for resale | 351,500 |
| Restricted: | |
| Community development | 10,614,106 |
| Park development | 133,957 |
| Parking improvements | 600,493 |
| Public works and transportation | 10,690,286 |
| Special assessment project | 508,200 |
| Law enforcement | 211,274 |
| Capital projects and improvements | 13,227,896 |
| Committed: | |
| Budget stabilization reserves | 11,574,005 |
| Assigned: | |
| Golf course capital | 20,000 |
| OPEB liability | 97,339 |
| Insurance | 1,082,179 |
| Unassigned | 4,673,303 |

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund

The General Fund is the chief operating fund of the City. As of June 30, 2018, the total fund balance (including all categories) of the general fund was \$18.0 million, up \$2.6 million from June 30, 2017. The total fund balance of \$18.0 million includes non-spendable balances of \$0.6 million, committed balances of \$11.6 million, assigned balances of \$1.2 million, and an unassigned balance of \$4.7 million.

The *assigned* fund balance remained unchanged from 2017.

The *unassigned* fund balance decreased \$9.3 million when compared to June 30, 2017, due primarily to the \$11.6 million commitment of fund balance to budget stabilization reserves in accordance with the City's general fund reserve policy, offset by the \$2.3 million net change in fund balance during the current fiscal year. The \$4.7 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 14.8% of total General Fund expenditures, while total fund balance represents approximately 57.2% of total General Fund expenditures.

Other Major Funds

The General Development Impact Fee Special Revenue Fund, a major fund, had a \$0.9 million increase in fund balance during Fiscal Year 2018. The ending fund balance of \$13.2 million is restricted for capital projects and improvements.

The Special Gas Tax Special Revenue Fund, a major fund, had a \$0.2 million increase in fund balance during the current Fiscal Year 2018. The ending fund balance of \$9.7 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 | \$ 8,114,560 |
| Sewer Fund | 6,488,167 |
| Solid Waste Fund | 1,936,905 |
| Drainage Operations Fund | (2,939,670) |
| Nonmajor Enterprise Funds | 187,643 |
| Internal Service Fund | (569,306) |

As noted earlier in the discussion of business-type activities, revenues for water and sewer services increased by 7% 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, 2018**

General Fund Budgetary Highlights

The general fund ended fiscal year 2018 with \$5.0 million better than budget. This variance was primarily the result of \$1.0 million more revenues than anticipated, \$0.9 million in proceeds from long term debt and \$3.6 million of savings on expenditures, offset by \$0.4 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 \$0.1 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 \$0.5 million under budget due to savings in contracted services and personnel costs.
- Public Ways and Facilities were \$0.3 million under budget due to savings in supplies and materials, contracted services, and personnel costs.
- Actual expenditures for Community Development came in at \$0.3 million under budget due to savings in contracted services and personnel costs.
- Actual expenditures for Culture and Recreation came in at \$0.1 million under budget due to savings in contracted services and conference/training.
- Actual expenditures for Capital Outlay were \$3.1 million under budget due to the carrying-forward of capital project budgets that were not completed during the current fiscal year.

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, 2018, amount to \$280.3 million (net of depreciation), a decrease of \$5.1 million compared to 2017. This decrease is primarily due the depreciation expense of \$12.3 million offset by additions to capital assets of \$7.2 million.

Major capital asset additions this year include the following:

- Road network improvements - \$474 thousand
 - Developer donations (sidewalk, pavement, pipelines, and others) - \$22 thousand
 - Various other street improvement projects - \$209 thousand
 - Various parks improvement projections - \$98 thousand
 - Various traffic signal improvement projects - \$145 thousand
- Transit and Public Works Facility - \$383 thousand
- Fire station - \$300 thousand
- Equipment and software purchases (pumper fire truck, software and vehicles) - \$594 thousand
- Airport apron reconstruction - \$69 thousand
- Water line Improvement - \$622 thousand

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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:

- Parks improvements: Millview Park
- Sewer mains replacement: various locations
- Street improvements: Raymond Rd & Cleveland Ave, Olive Ave & Gateway Dr, Gateway Dr and Central Ave, Lake Street, Sunset Ave between Granada Dr and Foster Ave, Lincoln Ave and South St.
- Trail construction: Gateway Drive and Union Pacific Railroad
- Water main pine improvement: various locations

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

- West Yosemite Offices – 607 W Yosemite Ave

City of Madera's Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Land | \$ 11,311,162 | \$ 7,573,520 | \$ 9,347,017 | \$ 9,027,017 | \$ 20,658,179 | \$ 16,600,537 |
| Construction in progress | 3,562,669 | 9,479,137 | 3,524,381 | 4,479,749 | 7,087,050 | 13,958,886 |
| Buildings and improvements | 14,270,019 | 14,738,550 | 26,278,173 | 28,631,182 | 40,548,192 | 43,369,732 |
| Equipment | 4,449,108 | 3,724,765 | 20,226,539 | 1,224,329 | 24,675,647 | 4,949,094 |
| Infrastructure | <u>144,408,737</u> | <u>145,088,883</u> | <u>42,931,284</u> | <u>61,438,945</u> | <u>187,340,021</u> | <u>206,527,828</u> |
| | <u>\$ 178,001,695</u> | <u>\$ 180,604,855</u> | <u>\$ 102,307,394</u> | <u>\$ 104,801,222</u> | <u>\$ 280,309,089</u> | <u>\$ 285,406,077</u> |

Long-term Debt. The City's long-term debt as of June 30, 2018 was \$48.7 million with governmental activities accounting for \$1.9 million or 3.9%, and business-type activities accounting for \$46.8 million or 96.1%. The total debt decreased by \$2.8 million or 5.5% during the current fiscal year. The reason for the decrease was due to principal payments made in current fiscal year.

City of Madera's Outstanding Debt

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Capital Leases | \$ 1,023,325 | \$ 2,425,766 | \$ - | \$ - | \$ 1,023,325 | \$ 2,425,766 |
| Loans Payable | 863,554 | 60,088 | 9,103,002 | 7,781,755 | 9,966,556 | 7,841,843 |
| Bonds Payable | - | - | 37,696,552 | 41,256,130 | 37,696,552 | 41,256,130 |
| | <u>\$ 1,886,879</u> | <u>\$ 2,485,854</u> | <u>\$ 46,799,554</u> | <u>\$ 49,037,885</u> | <u>\$ 48,686,433</u> | <u>\$ 51,523,739</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, 2018**

Economic Factors and Next Year's Budgets and Rates

The first few months of 2018 saw unprecedented highs followed by great dips in the stock market, tariffs were imposed on a wide range of countries, friendly and foe alike, and changes to the tax code incentivized business to put more money in employees' paychecks. According to the Federal Reserve, the gross domestic product (GDP) is expected to be 2.7% for 2018, up slightly from 2.6% at the close of 2017. Unemployment figures are expected to continue to drop, which may seem impossible as the country is at full employment. In California, new home starts are expected to rise modestly over the next two years, as well as the value of existing homes. Despite the rollercoaster start to 2018, the 2018/2019 outlook is one that will likely stay consistent from the previous year.

The national GDP grew only 2.3% over the first quarter of 2018. Despite this slow start, economists predict performance closer to 3% for the remainder of the year, with an estimated 2.7% increase by the end of the year. At the state level, California GDP has surpassed that of the entire United Kingdom, becoming the world's fifth largest economy, according to a May 2018 report by the LA Times. However, much of the economic growth in the state is focused in coastal areas such as Los Angeles, San Diego, San Francisco, and San Jose, which have a vast array of industry including technology, entertainment, and thus enjoy the benefits of international ports, airports, and international headquarter locations. Because the Central Valley relies heavily on an agriculture-based economy, profits are not as lucrative and challenges such as weather (drought), labor availability, and government subsidies all play into the bottom line.

Corporations have been able to expand, hire new employees, and provide raises for existing ones, which bolsters stability in the market, thanks in part to recent tax reform. Both nationally and statewide, job growth continues, with unemployment reaching levels not seen since the 1960s, according to a report in the California Economic Forecast's May 2018 newsletter. In the report, economist Mark Schniepp predicts the probability of a recession in the year to come is very low and that, "recessions occur when imbalances develop in the economy, and no glaring potential macroeconomic imbalances are forming." He points to continued low unemployment, rising housing values, buoyant financial markets, improved access to credit, low household debt, and consumer and business investment as stability markers for the year to come.

In the last year, county-wide, Madera has added approximately 1,500 jobs. In May 2018, the unemployment rate in Madera County was 6.5%, down from 7.3% in April 2018, and below the year-ago estimate of 7.7%, according to the State of California's Employment Development Department. At the state level, unemployment is at 4.2%, and nationally is down to 3.8%. While the country is at near maximum employment, there is still room for growth in Madera County.

The City of Madera has seen continued growth in consumer spending. This trend is reflected in a 5.5% increase in local sales tax, excluding Measure K, from FY 16/17 to FY 17/18. Sales tax figures are outperforming projected budget amounts, perhaps in part to recent tax reform.

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 State Route (SR) 99 remains a primary focus of the City's economic development efforts. At completion the location will include Love's Madera Travel Center and more than \$10 million in infrastructure improvements. It is expected that the improvements will spur additional development around the interchange. Another development just to the north of Madera is Matilda Torres High School. The school requires sewer and water infrastructure expansion, which has generated interest in development of properties in the immediate vicinity.

The number of residential homes permitted over the previous fiscal year remains relatively consistent from FY 16/17. In that year, 137 homes were permitted, compared to approximately 180 homes expected to be permitted by the end of FY 17/18. With nearly no existing lots available for builders, the City is looking to the northwest quadrant for future growth. The slated project is under review, but when complete, will cover

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

approximately 3 square miles, over 5,000 new homes, retail and commercial use, elementary schools and expanses of open space and park amenities. There has also been investor and builder interest in multifamily units which may see activity in FY 18/19.

Water is and will remain a key element in the 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. Engineering costs for capital improvements are anticipated to be funded on a pay-as-you-go basis. Potential 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. A new water storage tank, pump station and associated transmission mains are included in the Capital Improvement Program with the initial engineering efforts taking place in 2018/19. The tank represents a critical component of infrastructure necessary to counter continual drought conditions in the valley. Construction funding for the tank project will require special financing either through grants, municipal bonds or low interest loans.

Although there have been some swings in the stock market in early 2018, economists are optimistic for the year ahead. Many Californians have seen their wages increase, unemployment is at very low levels; locally, housing is steady and poised to expand slightly, and governmental activity, thanks to Measure K, is providing increased emergency services to citizens. However, such low unemployment could mean there will be a shortage in labor in years ahead, which could slow economic growth. Additionally, the economy is still expanding, and there is consensus that 2019-2020 will experience a cyclical economic slowdown. Economists will be watching to see if inflation makes any unexpected movements, which would pose a threat to interest rates this year, but other than that, as a nation, the FY 2018-2019 outlook is favorable. Given these local and national projections, the City may wish to continue with a prudent, conservative financial planning model as it makes budget decisions for the future.

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.

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BASIC FINANCIAL STATEMENTS

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**CITY OF MADERA
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | Governmental Activities | Business-Type Activities | Total | Component Unit Housing Authority of the City of Madera |
|--|----------------------------|-----------------------------|-----------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 43,924,744 | \$ 26,797,408 | \$ 70,722,152 | \$ 4,860,325 |
| Receivables: | | | | |
| Accounts, net | 5,612,639 | 2,535,633 | 8,148,272 | 372,688 |
| Interest | - | - | - | 243,710 |
| Prepaid items | 50,750 | 15,591 | 66,341 | 9,686 |
| Inventories | 67,086 | - | 67,086 | 104,487 |
| Internal balances | 2,102,843 | (2,102,843) | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | 4,154,971 | 4,154,971 | 2,219,808 |
| Notes receivable | 8,003,641 | - | 8,003,641 | 4,358,983 |
| Land held for resale | 1,041,500 | - | 1,041,500 | - |
| Capital assets, not being depreciated | 14,873,831 | 12,871,398 | 27,745,229 | 785,827 |
| Capital assets, net of accumulated depreciation | 163,127,864 | 89,435,996 | 252,563,860 | 7,213,444 |
| Total assets | <u>238,804,898</u> | <u>133,708,154</u> | <u>372,513,052</u> | <u>20,168,958</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources related to pensions | 11,356,501 | 2,281,608 | 13,638,109 | 1,127,784 |
| Deferred outflows of resources related to OPEB | 29,067 | 3,988 | 33,055 | - |
| Total deferred outflows of resources | <u>11,385,568</u> | <u>2,285,596</u> | <u>13,671,164</u> | <u>1,127,784</u> |
| LIABILITIES | | | | |
| Accounts payable | 1,641,717 | 2,075,608 | 3,717,325 | 101,334 |
| Salaries payable | 503,614 | 128,025 | 631,639 | 36,515 |
| Accrued interest payable | 10,005 | 603,125 | 613,130 | - |
| Unearned revenue | 179,231 | 95,989 | 275,220 | 9,055 |
| Deposits payable | 875,040 | 1,575,794 | 2,450,834 | 190,855 |
| Other liabilities | - | - | - | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 1,681,795 | 2,344,550 | 4,026,345 | 155,286 |
| Due in more than one year | 41,883,852 | 53,215,960 | 95,099,812 | 6,524,789 |
| Total liabilities | <u>46,775,254</u> | <u>60,039,051</u> | <u>106,814,305</u> | <u>7,017,834</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pensions | 395,604 | 19,611 | 415,215 | 88,033 |
| Deferred inflows of resources related to OPEB | - | - | - | - |
| Deferred service concession agreement receipts | - | 50,000 | 50,000 | - |
| Gain on refunding of debt | - | 376,319 | 376,319 | - |
| Total deferred inflows of resources | <u>395,604</u> | <u>445,930</u> | <u>841,534</u> | <u>88,033</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 176,114,816 | 61,566,400 | 237,681,216 | 4,698,490 |
| Restricted for: | | | | |
| Community development | 10,614,148 | - | 10,614,148 | - |
| Park development | 133,957 | - | 133,957 | - |
| Parking improvements | 600,493 | - | 600,493 | - |
| Public works and transportation | 11,737,211 | - | 11,737,211 | - |
| Special assessment project | 508,200 | - | 508,200 | - |
| Law enforcement | 211,274 | - | 211,274 | - |
| Capital projects and improvements | 13,227,896 | - | 13,227,896 | - |
| Housing services | - | - | - | 1,449,637 |
| Debt service | - | 1,125,151 | 1,125,151 | - |
| Unrestricted | (10,128,387) | 12,817,218 | 2,688,831 | 8,042,748 |
| Total net position | <u>\$ 203,019,608</u> | <u>\$ 75,508,769</u> | <u>\$ 278,528,377</u> | <u>\$ 14,190,875</u> |

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

**CITY OF MADERA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| | Program Revenues | | | |
|---|-------------------------|--|--|--------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| <u>Functions/Programs:</u> | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 8,697,525 | \$ 120,209 | \$ 5,607,508 | \$ - |
| Public safety | 18,425,675 | 720,469 | 548,070 | - |
| Public ways and facilities | 5,081,612 | 1,452,935 | 4,606,553 | 261,357 |
| Social services | 346,863 | 845 | 86,723 | - |
| Culture and recreation | 4,744,555 | 666,104 | 171,116 | - |
| Community development | 4,022,163 | 2,135,482 | 696,078 | - |
| Interest on long-term debt | 74,490 | - | - | - |
| Total governmental activities | 41,392,883 | 5,096,044 | 11,716,048 | 261,357 |
| Business-type activities: | | | | |
| Water | 9,262,549 | 11,876,412 | - | 56,543 |
| Sewer | 9,854,304 | 8,788,389 | - | 2,896 |
| Solid waste | 5,811,095 | 5,786,010 | 86,142 | - |
| Drainage operations | 887,698 | 681,377 | - | 10,850 |
| Local transit | 2,166,293 | 119,063 | 1,383,125 | 761,460 |
| Golf course | 199,012 | 100,469 | - | - |
| Airport | 1,163,134 | 560,620 | - | 477,412 |
| Total business-type activities | 29,344,085 | 27,912,340 | 1,469,267 | 1,309,161 |
| Total primary government | \$ 70,736,968 | \$ 33,008,384 | \$ 13,185,315 | \$ 1,570,518 |
| Component unit: | | | | |
| Housing Authority of the City of Madera | \$ 9,366,886 | \$ 1,695,882 | \$ 6,614,346 | \$ 781,333 |
| Total component unit | \$ 9,366,886 | \$ 1,695,882 | \$ 6,614,346 | \$ 781,333 |

General revenues:
 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes
 Investment earnings
 Gain 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, 2018
(Continued)

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|---|
| Governmental Activities | Business-Type Activities | Total | Component Unit Housing Authority of the City of Madera |
| \$ (2,969,808) | \$ - | \$ (2,969,808) | \$ - |
| (17,157,136) | - | (17,157,136) | - |
| 1,239,233 | - | 1,239,233 | - |
| (259,295) | - | (259,295) | - |
| (3,907,335) | - | (3,907,335) | - |
| (1,190,603) | - | (1,190,603) | - |
| (74,490) | - | (74,490) | - |
| <u>(24,319,434)</u> | <u>-</u> | <u>(24,319,434)</u> | <u>-</u> |
| - | 2,670,406 | 2,670,406 | - |
| - | (1,063,019) | (1,063,019) | - |
| - | 61,057 | 61,057 | - |
| - | (195,471) | (195,471) | - |
| - | 97,355 | 97,355 | - |
| - | (98,543) | (98,543) | - |
| - | (125,102) | (125,102) | - |
| <u>-</u> | <u>1,346,683</u> | <u>1,346,683</u> | <u>-</u> |
| <u>(24,319,434)</u> | <u>1,346,683</u> | <u>(22,972,751)</u> | <u>-</u> |
| | | | <u>(275,325)</u> |
| | | | <u>(275,325)</u> |
| 3,824,185 | 182,390 | 4,006,575 | - |
| 12,923,918 | - | 12,923,918 | - |
| 666,238 | - | 666,238 | - |
| 1,707,452 | - | 1,707,452 | - |
| 265,581 | 68,049 | 333,630 | 67,052 |
| - | 12,990 | 12,990 | - |
| 1,147,727 | 3,956 | 1,151,683 | 720,442 |
| 374,407 | (372,671) | 1,736 | - |
| <u>20,909,508</u> | <u>(105,286)</u> | <u>20,804,222</u> | <u>787,494</u> |
| (3,409,926) | 1,241,397 | (2,168,529) | 512,169 |
| <u>206,429,534</u> | <u>74,267,372</u> | <u>280,696,906</u> | <u>13,678,706</u> |
| <u>\$ 203,019,608</u> | <u>\$ 75,508,769</u> | <u>\$ 278,528,377</u> | <u>\$ 14,190,875</u> |

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

**CITY OF MADERA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | Special Revenue | | | | |
|---|----------------------|--|-------------------------|----------------------------|--------------------------------|
| | General | General Development Impact Fee Fund | Special Gas Tax Fund | Total Nonmajor Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and investments | \$ 14,617,087 | \$ 14,156,053 | \$ 9,482,498 | \$ 3,975,625 | \$ 42,231,263 |
| Receivables: | | | | | |
| Accounts, net | 3,573,786 | - | 1,274,455 | 762,341 | 5,610,582 |
| Notes | - | - | - | 8,003,641 | 8,003,641 |
| Prepaid items | 48,295 | - | - | 42 | 48,337 |
| Inventories | 67,086 | - | - | - | 67,086 |
| Due from other funds | 1,175,219 | - | - | - | 1,175,219 |
| Advances to other funds | 134,641 | - | - | - | 134,641 |
| Land held for resale | 351,500 | - | - | 690,000 | 1,041,500 |
| | <u>\$ 19,967,614</u> | <u>\$ 14,156,053</u> | <u>\$ 10,756,953</u> | <u>\$ 13,431,649</u> | <u>\$ 58,312,269</u> |
| Total assets | | | | | |
| | <u>\$ 19,967,614</u> | <u>\$ 14,156,053</u> | <u>\$ 10,756,953</u> | <u>\$ 13,431,649</u> | <u>\$ 58,312,269</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,392,519 | \$ 53,191 | \$ 3,481 | \$ 47,867 | \$ 1,497,058 |
| Salaries payable | 460,848 | - | - | 262 | 461,110 |
| Due to other funds | - | - | - | 177,404 | 177,404 |
| Unearned revenue | 25,000 | - | - | 154,231 | 179,231 |
| Deposit payable | - | 874,966 | - | 74 | 875,040 |
| | <u>1,878,367</u> | <u>928,157</u> | <u>3,481</u> | <u>379,838</u> | <u>3,189,843</u> |
| Total liabilities | | | | | |
| | <u>1,878,367</u> | <u>928,157</u> | <u>3,481</u> | <u>379,838</u> | <u>3,189,843</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | 40,899 | - | 1,046,925 | - | 1,087,824 |
| | <u>40,899</u> | <u>-</u> | <u>1,046,925</u> | <u>-</u> | <u>1,087,824</u> |
| Total deferred inflows of resources | | | | | |
| | <u>40,899</u> | <u>-</u> | <u>1,046,925</u> | <u>-</u> | <u>1,087,824</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Inventory | 67,086 | - | - | - | 67,086 |
| Prepaid items | 48,295 | - | - | 42 | 48,337 |
| Long-term interfund advances | 134,641 | - | - | - | 134,641 |
| Land held for resale | 351,500 | - | - | - | 351,500 |
| Restricted: | | | | | |
| Community development | - | - | - | 10,614,106 | 10,614,106 |
| Park development | - | - | - | 133,957 | 133,957 |
| Parking improvements | - | - | - | 600,493 | 600,493 |
| Public works and transportation | - | - | 9,706,547 | 983,739 | 10,690,286 |
| Special assessment project | - | - | - | 508,200 | 508,200 |
| Law enforcement | - | - | - | 211,274 | 211,274 |
| Capital projects and improvements | - | 13,227,896 | - | - | 13,227,896 |
| Committed: | | | | | |
| Budget Stabilization Reserves | 11,574,005 | - | - | - | 11,574,005 |
| Assigned: | | | | | |
| Golf course capital | 20,000 | - | - | - | 20,000 |
| OPEB liability | 97,339 | - | - | - | 97,339 |
| Insurance | 1,082,179 | - | - | - | 1,082,179 |
| Unassigned | 4,673,303 | - | - | - | 4,673,303 |
| | <u>18,048,348</u> | <u>13,227,896</u> | <u>9,706,547</u> | <u>13,051,811</u> | <u>54,034,602</u> |
| Total fund balances | | | | | |
| | <u>18,048,348</u> | <u>13,227,896</u> | <u>9,706,547</u> | <u>13,051,811</u> | <u>54,034,602</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 19,967,614</u> | <u>\$ 14,156,053</u> | <u>\$ 10,756,953</u> | <u>\$ 13,431,649</u> | <u>\$ 58,312,269</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, 2018**

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

| | | |
|--|----|----------------------|
| Total fund balances - governmental funds | \$ | 54,034,602 |
| <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 | | 11,311,162 |
| Construction in progress | | 3,390,899 |
| Buildings and improvements | | 21,235,371 |
| Equipment | | 7,887,939 |
| Infrastructure | | 297,834,856 |
| Accumulated depreciation | | <u>(166,259,800)</u> |
| Total capital assets | | 175,400,427 |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the</p> | | |
| | | 1,087,824 |
| <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> | | |
| | | (10,005) |
| <p>Pension and OPEB related deferrals:</p> | | |
| Deferred outflow of resources | | 10,618,681 |
| Deferred inflows of resources | | <u>(387,735)</u> |
| Total pension related deferrals | | 10,230,946 |
| <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> | | |
| Loans payable | | (841,400) |
| Capital leases | | (1,023,325) |
| Compensated absences | | (1,476,127) |
| Net OPEB liability | | (2,787,114) |
| Net pension liability | | <u>(34,576,414)</u> |
| Total long-term liabilities | | (40,704,380) |
| <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>2,980,194</u> |
| Net position of governmental activities | \$ | <u>203,019,608</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, 2018

| | Special Revenue | | | | Total Governmental Funds |
|--|-------------------|--|--------------------|----------------------------|--------------------------------|
| | General | General Development Impact Fee Fund | Special Gas Tax | Total Nonmajor Funds | |
| REVENUES: | | | | | |
| Property taxes | \$ 3,467,163 | \$ - | \$ - | \$ 358,758 | \$ 3,825,921 |
| Sales and use taxes | 13,262,908 | - | - | - | 13,262,908 |
| Other taxes | 1,298,932 | - | - | 408,520 | 1,707,452 |
| Use of money and property | 233,178 | 12,294 | 114,500 | 32,456 | 392,428 |
| Franchise taxes | 666,238 | - | - | - | 666,238 |
| Licenses and permits | 1,049,103 | - | - | - | 1,049,103 |
| Fines | 578,255 | - | - | 10,329 | 588,584 |
| Intergovernmental | 6,913,636 | - | 3,423,547 | 1,443,851 | 11,781,034 |
| Charges for current services | 1,378,363 | 1,926,087 | - | 152,807 | 3,457,257 |
| Miscellaneous | 634,370 | - | - | 290,548 | 924,918 |
| Total revenues | 29,482,146 | 1,938,381 | 3,538,047 | 2,697,269 | 37,655,843 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,010,569 | - | - | 96,011 | 2,106,580 |
| Public protection | 16,842,253 | - | - | 90,326 | 16,932,579 |
| Social services | 309,121 | - | - | - | 309,121 |
| Public ways and facilities | 2,863,024 | 139,463 | - | 473,619 | 3,476,106 |
| Community development | 2,937,494 | - | - | 661,343 | 3,598,837 |
| Culture and recreation | 3,800,416 | - | - | - | 3,800,416 |
| Capital outlay | 1,422,672 | 379,793 | 370,868 | 346,048 | 2,519,381 |
| Debt service: | | | | | |
| Principal | 1,276,749 | - | - | 176,026 | 1,452,775 |
| Interest | 57,429 | - | - | 18,231 | 75,660 |
| Total expenditures | 31,519,727 | 519,256 | 370,868 | 1,861,604 | 34,271,455 |
| Excess (deficiency) of revenues over (under) expenditures | (2,037,581) | 1,419,125 | 3,167,179 | 835,665 | 3,384,388 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 4,128,980 | - | - | 876,561 | 5,005,541 |
| Transfers out | (772,244) | (564,754) | (2,923,434) | (1,023,725) | (5,284,157) |
| Sales of capital assets | 41,691 | - | - | - | 41,691 |
| Proceeds from long-term debt | 895,900 | - | - | - | 895,900 |
| Total other financing sources (uses) | 4,294,327 | (564,754) | (2,923,434) | (147,164) | 658,975 |
| Net change in fund balances | 2,256,746 | 854,371 | 243,745 | 688,501 | 4,043,363 |
| Fund balances - beginning (restated) | 15,791,602 | 12,373,525 | 9,462,802 | 12,363,310 | 49,991,239 |
| Fund balances - ending | \$ 18,048,348 | \$ 13,227,896 | \$ 9,706,547 | \$ 13,051,811 | \$ 54,034,602 |

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, 2018**

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

| | | |
|--|----|--------------------|
| Net change in fund balances - total governmental funds | \$ | 4,043,363 |
| <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 | | 2,165,600 |
| Depreciation expense | | <u>(7,890,199)</u> |
| Excess of depreciation expense over capital outlay | | (5,724,599) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (175,455) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. | | (39,309) |
| 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 | | 561,042 |
| 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: | | |
| Decrease to accrued interest | | 1,170 |
| Increase to compensated absences | | (214,381) |
| Increase to OPEB expense | | (99,092) |
| Increase to pension expense | | <u>(2,233,638)</u> |
| Total additional expenditures | | (2,545,941) |
| 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. | | <u>470,973</u> |
| Change in net position of governmental activities | \$ | <u>(3,409,926)</u> |

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

**CITY OF MADERA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

| | Business-Type Activities | | | |
|--|--------------------------|----------------------|------------------------|--------------------------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Drainage Operations Fund |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 12,177,181 | \$ 9,707,666 | \$ 3,465,802 | \$ 547,607 |
| Accounts receivable, net | 847,120 | 233,670 | 220,062 | 8,421 |
| Prepaid items | 1,887 | 12,789 | 38 | - |
| Total current assets | <u>13,026,188</u> | <u>9,954,125</u> | <u>3,685,902</u> | <u>556,028</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and investments | 4,154,971 | - | - | - |
| Capital assets, not depreciated | 978,507 | 3,048,237 | - | 3,657,252 |
| Capital assets, net of accumulated depreciation | 21,614,785 | 40,801,367 | 8,501 | 15,223,747 |
| Total noncurrent assets | <u>26,748,263</u> | <u>43,849,604</u> | <u>8,501</u> | <u>18,880,999</u> |
| Total assets | <u>39,774,451</u> | <u>53,803,729</u> | <u>3,694,403</u> | <u>19,437,027</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources related to pensions | 868,051 | 703,627 | 363,327 | 165,191 |
| Deferred outflows of resources related to OPEB | 1,994 | 1,994 | - | - |
| Total deferred outflows of resources | <u>870,045</u> | <u>705,621</u> | <u>363,327</u> | <u>165,191</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 569,361 | 584,759 | 669,996 | 10,828 |
| Salaries payable | 47,465 | 42,194 | 19,102 | 10,120 |
| Accrued interest payable | 175,874 | 413,553 | - | - |
| Due to other funds | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Deposits payable | 1,575,594 | - | - | 200 |
| Unearned revenue | - | - | 95,989 | - |
| Compensated absences, due within one year | 116,262 | 82,507 | 39,333 | 23,691 |
| Long-term debt, due within one year | 395,000 | 1,357,877 | - | - |
| Total current liabilities | <u>2,879,556</u> | <u>2,480,890</u> | <u>824,420</u> | <u>44,839</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences, due in more than one year | - | - | - | - |
| Net pension liability | 3,075,133 | 2,498,380 | 1,286,401 | 584,727 |
| Net OPEB liability | 191,195 | 191,195 | - | - |
| Long-term debt, due in more than one year | 11,226,552 | 32,049,578 | - | - |
| Total noncurrent liabilities | <u>14,492,880</u> | <u>34,739,153</u> | <u>1,286,401</u> | <u>584,727</u> |
| Total liabilities | <u>17,372,436</u> | <u>37,220,043</u> | <u>2,110,821</u> | <u>629,566</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pensions | 6,086 | 7,915 | 1,503 | 2,043 |
| Deferred service concession arrangement receipts | - | - | - | - |
| Gain on refunding of debt | 25,243 | 351,076 | - | - |
| Total deferred inflows of resources | <u>31,329</u> | <u>358,991</u> | <u>1,503</u> | <u>2,043</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 14,001,020 | 10,442,149 | 8,501 | 21,910,279 |
| Restricted | 1,125,151 | - | - | - |
| Unrestricted | 8,114,560 | 6,488,167 | 1,936,905 | (2,939,670) |
| Total net position | <u>\$ 23,240,731</u> | <u>\$ 16,930,316</u> | <u>\$ 1,945,406</u> | <u>\$ 18,970,609</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, 2018
(Continued)**

| Business-Type Activities | | Governmental Activities |
|---------------------------------|------------------------------|-----------------------------|
| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| \$ 899,152 | \$ 26,797,408 | \$ 1,693,481 |
| 1,226,360 | 2,535,633 | 2,057 |
| <u>877</u> | <u>15,591</u> | <u>2,413</u> |
| <u>2,126,389</u> | <u>29,348,632</u> | <u>1,697,951</u> |
| - | 4,154,971 | - |
| 5,187,402 | 12,871,398 | 171,770 |
| <u>11,787,596</u> | <u>89,435,996</u> | <u>2,429,498</u> |
| <u>16,974,998</u> | <u>106,462,365</u> | <u>2,601,268</u> |
| <u>19,101,387</u> | <u>135,810,997</u> | <u>4,299,219</u> |
| 181,412 | 2,281,608 | 766,887 |
| - | 3,988 | - |
| <u>181,412</u> | <u>2,285,596</u> | <u>766,887</u> |
| 240,664 | 2,075,608 | 144,658 |
| 9,144 | 128,025 | 42,504 |
| 13,698 | 603,125 | - |
| 997,815 | 997,815 | - |
| 134,641 | 134,641 | - |
| - | 1,575,794 | - |
| - | 95,989 | - |
| 28,933 | 290,726 | 112,114 |
| <u>300,947</u> | <u>2,053,824</u> | <u>18,967</u> |
| <u>1,725,842</u> | <u>7,955,547</u> | <u>318,243</u> |
| - | - | 5,359 |
| 643,199 | 8,087,840 | 2,721,640 |
| - | 382,390 | - |
| <u>1,469,600</u> | <u>44,745,730</u> | <u>3,187</u> |
| <u>2,112,799</u> | <u>53,215,960</u> | <u>2,730,186</u> |
| <u>3,838,641</u> | <u>61,171,507</u> | <u>3,048,429</u> |
| 2,064 | 19,611 | 7,869 |
| 50,000 | 50,000 | - |
| - | 376,319 | - |
| <u>52,064</u> | <u>445,930</u> | <u>7,869</u> |
| 15,204,451 | 61,566,400 | 2,579,114 |
| - | 1,125,151 | - |
| <u>187,643</u> | <u>13,787,605</u> | <u>(569,306)</u> |
| <u>\$ 15,392,094</u> | <u>76,479,156</u> | <u>\$ 2,009,808</u> |
| | <u>(970,387)</u> | |
| | <u>\$ 75,508,769</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, 2018

| | Business-Type Activities | | | |
|---|--------------------------|----------------------|------------------------|--------------------------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Drainage Operations Fund |
| Operating revenues: | | | | |
| Charges for services | \$ 11,876,412 | \$ 8,788,389 | \$ 5,785,589 | \$ 681,377 |
| Other | - | - | - | - |
| Total operating revenues | 11,876,412 | 8,788,389 | 5,785,589 | 681,377 |
| Operating expenses: | | | | |
| Salaries and benefits | 2,691,274 | 2,514,354 | 1,053,259 | 422,089 |
| General and administrative | 1,103,327 | 1,296,900 | 4,207,799 | 71,965 |
| Supplies and miscellaneous | 1,307,540 | 1,133,648 | 413,631 | (28,702) |
| Parts and supplies | 1,135,932 | 625,278 | 135,183 | (800) |
| Utilities | 1,520,836 | 720,248 | 20,219 | 50,449 |
| Amortization | 4,721 | (9,752) | - | - |
| Depreciation | 822,922 | 2,241,509 | 5,458 | 345,009 |
| Total operating expenses | 8,586,552 | 8,522,185 | 5,835,549 | 860,010 |
| Operating income (loss) | 3,289,860 | 266,204 | (49,960) | (178,633) |
| Nonoperating revenues (expenses): | | | | |
| Investment income | 50,732 | 9,837 | 3,868 | 253 |
| Property taxes | - | 85,337 | - | - |
| Operating grants | - | - | 86,142 | - |
| Capital grants | - | - | - | - |
| Other nonoperating revenue | 3,087 | 421 | 421 | - |
| Gain (loss) on disposal of property | 2,041 | 9,541 | 1,408 | - |
| Interest expense | (546,500) | (1,211,034) | - | - |
| Other nonoperating expense | - | - | - | - |
| Total nonoperating revenues (expenses) | (490,640) | (1,105,898) | 91,839 | 253 |
| Income (loss) before capital contributions and transfers | 2,799,220 | (839,694) | 41,879 | (178,380) |
| Capital contributions | 56,543 | 2,896 | - | 10,850 |
| Transfers in | - | 225,000 | 75,147 | - |
| Transfers out | (86,651) | (31,379) | (682,460) | (54,779) |
| Change in net position | 2,769,112 | (643,177) | (565,434) | (222,309) |
| Net position - beginning (restated) | 20,471,619 | 17,573,493 | 2,510,840 | 19,192,918 |
| Net position - ending | \$ 23,240,731 | \$ 16,930,316 | \$ 1,945,406 | \$ 18,970,609 |

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, 2018
(Continued)

| Business-Type Activities | | Governmental Activities |
|---------------------------------|------------------------------|-----------------------------|
| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| \$ 780,152 | \$ 27,911,919 | \$ 3,054,809 |
| 448 | 448 | - |
| 780,600 | 27,912,367 | 3,054,809 |
| 479,837 | 7,160,813 | 2,238,655 |
| 1,337,841 | 8,017,832 | 635,332 |
| 650,064 | 3,476,181 | (417,327) |
| 364,799 | 2,260,392 | 289,837 |
| 37,143 | 2,348,895 | 369,435 |
| - | (5,031) | - |
| 540,042 | 3,954,940 | 447,540 |
| 3,409,726 | 27,214,022 | 3,563,472 |
| (2,629,126) | 698,345 | (508,663) |
| 3,359 | 68,049 | 355 |
| 97,053 | 182,390 | - |
| 1,383,125 | 1,469,267 | - |
| 1,095,701 | 1,095,701 | - |
| - | 3,929 | 81,274 |
| - | 12,990 | (30,383) |
| (47,076) | (1,804,610) | - |
| (63,780) | (63,780) | - |
| 2,468,382 | 963,936 | 51,246 |
| (160,744) | 1,662,281 | (457,417) |
| 143,171 | 213,460 | 15,439 |
| 247,083 | 547,230 | 682,808 |
| (64,632) | (919,901) | (31,521) |
| 164,878 | 1,503,070 | 209,309 |
| 15,227,216 | | 1,800,499 |
| \$ 15,392,094 | | \$ 2,009,808 |
| | (261,673) | |
| | \$ 1,241,397 | |

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, 2018**

| | Business-Type Activities | | | |
|--|--------------------------|---------------------|------------------------|--------------------------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Drainage Operations Fund |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 11,740,072 | \$ 8,693,315 | \$ 5,692,971 | \$ 681,552 |
| Payments to suppliers | (4,886,248) | (3,545,583) | (4,431,764) | (87,226) |
| Payments to employees | (2,426,967) | (2,111,171) | (1,002,147) | (412,528) |
| Receipts from other operating activities | - | - | - | - |
| Net cash provided (used) by operating activities | <u>4,426,857</u> | <u>3,036,561</u> | <u>259,060</u> | <u>181,798</u> |
| Cash flows from noncapital financing activities: | | | | |
| Transfers from (to) other funds | (86,651) | 193,621 | (607,313) | (54,779) |
| Loans from (to) other funds | - | - | - | - |
| Property taxes | - | 85,337 | - | - |
| Operating grants | - | - | 110,114 | - |
| Other nonoperating revenues | - | - | - | - |
| Other nonoperating expenses | 3,087 | 421 | 421 | - |
| Net cash provided (used) by noncapital financing activities | <u>(83,564)</u> | <u>279,379</u> | <u>(496,778)</u> | <u>(54,779)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Capital grants | - | - | - | - |
| Acquisition and construction of capital assets | (648,695) | (33,627) | - | (800) |
| Proceeds from the sale of assets | 2,041 | 9,541 | 1,408 | - |
| Proceeds from issuance of bonds | - | - | - | - |
| Principal paid on long-term debt | (385,000) | (1,308,735) | - | - |
| Interest paid | (550,514) | (1,227,238) | - | - |
| Net cash provided (used) by capital and related financing activities | <u>(1,582,168)</u> | <u>(2,560,059)</u> | <u>1,408</u> | <u>(800)</u> |
| Cash flows from investing activities: | | | | |
| Investment income | 50,732 | 9,837 | 3,868 | 253 |
| Net cash provided (used) by investing activities | <u>50,732</u> | <u>9,837</u> | <u>3,868</u> | <u>253</u> |
| Net increase (decrease) in cash and cash equivalents | 2,811,857 | 765,718 | (232,442) | 126,472 |
| Cash and cash equivalents - beginning | <u>13,520,295</u> | <u>8,941,948</u> | <u>3,698,244</u> | <u>421,135</u> |
| Cash and cash equivalents - ending | <u>\$ 16,332,152</u> | <u>\$ 9,707,666</u> | <u>\$ 3,465,802</u> | <u>\$ 547,607</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, 2018
(Continued)**

| Business-Type Activities | | Governmental Activities |
|---------------------------------|------------------------------|-----------------------------|
| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| \$ 518,231 | \$ 27,326,141 | \$ 3,054,513 |
| (2,416,057) | (15,366,878) | (844,683) |
| (430,669) | (6,383,482) | (1,864,851) |
| <u>448</u> | <u>448</u> | <u>-</u> |
| <u>(2,328,047)</u> | <u>5,576,229</u> | <u>344,979</u> |
| 182,451 | (372,671) | 651,287 |
| 356,364 | 356,364 | - |
| 97,053 | 182,390 | - |
| 1,096,400 | 1,206,514 | - |
| (63,780) | (63,780) | - |
| <u>-</u> | <u>3,929</u> | <u>81,274</u> |
| <u>1,668,488</u> | <u>1,312,746</u> | <u>732,561</u> |
| 1,095,701 | 1,095,701 | - |
| (244,532) | (927,654) | (518,013) |
| - | 12,990 | 1,000 |
| 1,657,100 | 1,657,100 | - |
| (2,207,118) | (3,900,853) | (37,934) |
| <u>(42,213)</u> | <u>(1,819,965)</u> | <u>-</u> |
| <u>258,938</u> | <u>(3,882,681)</u> | <u>(554,947)</u> |
| <u>3,359</u> | <u>68,049</u> | <u>355</u> |
| <u>3,359</u> | <u>68,049</u> | <u>355</u> |
| (397,262) | 3,074,343 | 522,948 |
| <u>1,296,414</u> | <u>27,878,036</u> | <u>1,170,533</u> |
| <u>\$ 899,152</u> | <u>\$ 30,952,379</u> | <u>\$ 1,693,481</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, 2018
(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) | \$ 3,289,860 | \$ 266,204 | \$ (49,960) | \$ (178,633) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 822,922 | 2,241,509 | 5,458 | 345,009 |
| Amortization | 4,721 | (9,752) | - | - |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | | | |
| (Increase) decrease in accounts receivable | (238,384) | (95,074) | (92,618) | 175 |
| (Increase) decrease in prepaid expense | (420) | (11,956) | (38) | - |
| (Increase) decrease in deferred outflows of resources from pensions | (162,507) | (208,275) | (58,477) | (24,618) |
| (Increase) decrease in deferred outflows of resources from OPEB | 2,648 | 3,023 | - | - |
| Increase (decrease) in accounts payable | 181,807 | 242,447 | 345,106 | 5,686 |
| Increase (decrease) in salaries payable | 1,212 | 6,730 | (3,202) | (153) |
| Increase (decrease) in deposits payable | 102,044 | - | - | - |
| Increase (decrease) in net pension liability | 356,211 | 589,465 | 111,613 | 43,003 |
| Increase (decrease) in net OPEB liability | 65,501 | 55,347 | - | - |
| Increase (decrease) in compensated absences | 31,674 | (3,533) | 8,685 | 1,541 |
| Increase (decrease) in deferred inflows of resources | (30,432) | (39,574) | (7,507) | (10,212) |
| Increase (decrease) in service concession arrangement | - | - | - | - |
| Net cash provided (used) by operating activities | <u>\$ 4,426,857</u> | <u>\$ 3,036,561</u> | <u>\$ 259,060</u> | <u>\$ 181,798</u> |
| Reconciliation of cash and cash equivalents to the Statement of Net Position: | | | | |
| Cash and investments - unrestricted | \$ 12,177,181 | \$ 9,707,666 | \$ 3,465,802 | \$ 547,607 |
| Cash and investments - restricted | <u>4,154,971</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total cash and investments | <u>\$ 16,332,152</u> | <u>\$ 9,707,666</u> | <u>\$ 3,465,802</u> | <u>\$ 547,607</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Developer and other capital contributions | <u>\$ 56,543</u> | <u>\$ 2,896</u> | <u>\$ -</u> | <u>\$ 10,850</u> |
| Disposal of capital assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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, 2018
(Continued)**

| Business-Type Activities | | Governmental Activities |
|---------------------------------|------------------------------|-----------------------------|
| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| \$ (2,629,126) | \$ 698,345 | \$ (508,663) |
| 540,042 | 3,954,940 | 447,540 |
| - | (5,031) | - |
| (221,921) | (647,822) | (296) |
| (877) | (13,291) | (2,413) |
| (41,093) | (494,970) | (208,862) |
| - | 5,671 | - |
| (25,333) | 749,713 | 35,007 |
| (1,613) | 2,974 | 9,022 |
| - | 102,044 | - |
| 102,460 | 1,202,752 | 571,206 |
| - | 120,848 | - |
| (273) | 38,094 | 41,792 |
| (10,313) | (98,038) | (39,354) |
| (40,000) | (40,000) | - |
| <u>\$ (2,328,047)</u> | <u>\$ 5,576,229</u> | <u>\$ 344,979</u> |
| \$ 899,152 | \$ 26,797,408 | \$ 1,693,481 |
| - | 4,154,971 | - |
| <u>\$ 899,152</u> | <u>\$ 30,952,379</u> | <u>\$ 1,693,481</u> |
| <u>\$ 143,171</u> | <u>\$ 213,460</u> | <u>\$ 15,439</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,383</u> |

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

**CITY OF MADERA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

| | Successor Agency Private Purpose Trust Fund | Agency Fund |
|--|---|---------------------|
| | <u>Trust Fund</u> | <u>Agency Fund</u> |
| ASSETS | | |
| Cash and investments | \$ 5,571,625 | \$ 1,239,049 |
| Receivables: | | |
| Accounts, net | 31,015 | 2,315 |
| Interest | - | - |
| Notes | - | - |
| Prepaid items | 988 | 253,140 |
| Inventories | - | - |
| Due from other funds | - | - |
| Land held for resale | 390,707 | - |
| Restricted assets: | | |
| Cash and investments with fiscal agents | 3,117,431 | 47,386 |
| Capital assets, not depreciated | 389,566 | - |
| Capital assets, net of accumulated depreciation | <u>3,602,798</u> | <u>-</u> |
| Total assets | <u>13,104,130</u> | <u>1,541,890</u> |
| LIABILITIES | | |
| Accounts payable | 33,260 | 27,677 |
| Accrued liabilities | - | 114,836 |
| Salaries and accrued liabilities | 3,426 | - |
| Accrued interest | 750,173 | - |
| Due to other funds | - | - |
| Unearned revenue | - | - |
| Deposit payable | - | 14,998 |
| Due to other governments | - | 1,013,287 |
| Due to other bondholders | - | 371,092 |
| Long-term debt, due within one year | 1,342,815 | - |
| Long-term debt, due in more than one year | <u>42,451,973</u> | <u>-</u> |
| Total liabilities | <u>44,581,647</u> | <u>\$ 1,541,890</u> |
| NET POSITION | | |
| Net position held in trust for redevelopment dissolution and other purposes | <u>\$ (31,477,517)</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, 2018**

| | Successor Agency Private Purpose Trust Fund |
|----------------------------|---|
| ADDITIONS | |
| Property taxes | \$ 3,686,763 |
| Interest income | 84,300 |
| Other payment received | <u>4,539</u> |
| Total additions | <u>3,775,602</u> |
| DEDUCTIONS | |
| General and administrative | 454,491 |
| Project expenses | 209,015 |
| Depreciation | 194,519 |
| Interest on debts | <u>2,291,316</u> |
| Total deductions | <u>3,149,341</u> |
| Change in net position | 626,261 |
| Net position - beginning | <u>(32,103,778)</u> |
| Net position - ending | <u><u>\$ (31,477,517)</u></u> |

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

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018

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, 2018

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, 2018

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, 2018

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 |

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.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

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. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City Retirees Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Measurement Period | July 1, 2016 to June 30, 2017 |

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. 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, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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 |

Q. 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, 2018 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 | \$ 43,924,744 | \$ 26,797,408 | \$ 6,810,674 | \$ 77,532,826 |
| Restricted cash and investments with fiscal agents | - | 4,154,971 | 3,164,817 | 7,319,788 |
| Total | <u>\$ 43,924,744</u> | <u>\$ 30,952,379</u> | <u>\$ 9,975,491</u> | <u>\$ 84,852,614</u> |

Cash and investments consist of the following as of June 30, 2018:

| | |
|--------------------------------------|-----------------------------|
| Cash and investments: | |
| Petty cash | \$ 6,430 |
| Deposits with financial institutions | 4,628,915 |
| Investments | <u>80,217,269</u> |
| Total cash and investments | <u>\$ 84,852,614</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

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 | \$ 16,941,390 | \$ 16,941,390 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 5,229,000 | 1,496,000 | 746,000 | 2,987,000 | - |
| U.S. Government Securities: | | | | | |
| Federal Farm Credit Bank Loan | 3,715,119 | 996,350 | - | 2,718,769 | - |
| Federal Home Loan Banks | 4,372,570 | - | 489,070 | 3,883,500 | - |
| Federal Home Loan Mortgage Corporation | 4,444,359 | - | 1,237,178 | 3,207,181 | - |
| Federal National Mortgage Association | 3,870,085 | - | 1,463,565 | 2,406,520 | - |
| U.S. Corporate Bonds | 9,392,850 | 497,985 | 3,973,120 | 3,932,645 | 989,100 |
| Investments held by bond trustee: | | | | | |
| Money Market Funds | 4,726,883 | 4,726,883 | - | - | - |
| Certificates of Deposit | 18,303,445 | 5,143,953 | 5,393,946 | 7,765,546 | - |
| Total pooled investments in the City | <u>70,995,701</u> | <u>29,802,561</u> | <u>13,302,879</u> | <u>26,901,161</u> | <u>989,100</u> |
| Investments in Successor Agency Private Purpose Trust Fund: | | | | | |
| Local Agency Investment Fund | 6,104,137 | 6,104,137 | - | - | - |
| Investments held by bond trustee: | | | | | |
| Money Market Funds | <u>3,117,431</u> | <u>3,117,431</u> | - | - | - |
| Total Investments in Successor Agency Private Purpose Trust Fund | <u>9,221,568</u> | <u>9,221,568</u> | - | - | - |
| Total Investments | <u>\$ 80,217,269</u> | <u>\$ 39,024,129</u> | <u>\$ 13,302,879</u> | <u>\$ 26,901,161</u> | <u>\$ 989,100</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 | Rating as of Year-End | | | | | Not Rated |
|---|-------------------|-----------------------|------------------|------------------|------------------|-------|-------------------|
| | | Aaa | Aa1 | Aa2 | Aa3 | | |
| Pooled Investments in the City: | | | | | | | |
| Local Agency Investment Fund | \$ 16,941,390 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,941,390 |
| Certificates of Deposit | 5,229,000 | - | - | - | - | - | 5,229,000 |
| Federal Farm Credit Bank Loan | 3,715,119 | 3,715,119 | - | - | - | - | - |
| Federal Home Loan Banks | 4,372,570 | 4,372,570 | - | - | - | - | - |
| Federal Home Loan Mortgage Corporation | 4,444,359 | 4,444,359 | - | - | - | - | - |
| Federal National Mortgage Association | 3,870,085 | 3,870,085 | - | - | - | - | - |
| U.S. Corporate Bonds | 9,392,850 | 958,910 | 2,466,445 | 3,497,480 | 2,470,015 | - | - |
| Investments held by bond trustee: | | | | | | | |
| Money Market Funds | 4,726,883 | - | - | - | - | - | 4,726,883 |
| Certificates of Deposit | 18,303,445 | - | - | - | - | - | 18,303,445 |
| Total pooled investments in the City | 70,995,701 | 17,361,043 | 2,466,445 | 3,497,480 | 2,470,015 | - | 45,200,718 |
| Investments in Successor Agency Private Purpose Trust Fund: | | | | | | | |
| Local Agency Investment Fund | 6,104,137 | - | - | - | - | - | 6,104,137 |
| Money Market Funds | 3,117,431 | - | - | - | - | - | 71,561 |
| Total Investments in Successor Agency Private Purpose Trust Fund | 9,221,568 | - | - | - | - | - | 6,175,698 |
| Total Investments | \$ 80,217,269 | \$ 17,361,043 | \$ 2,466,445 | \$ 3,497,480 | \$ 2,470,015 | - | \$ 51,376,416 |

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. The City did not have any 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.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018. As of June 30, 2018, \$4,628,916 of the City's deposits with financial held in accounts collateralized in accordance with State law as described above. As of June 30, 2018, 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, 2018 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, 2018, the City's investments in LAIF were \$16,941,390 and the Successor Agency's investments in LAIF were \$6,104,137, which was reported at fair value.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

| 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 | \$ 5,229,000 | \$ - | \$ 5,229,000 | \$ - |
| U.S. Government Securities: | | | | |
| Federal Farm Credit Bank Loan | 3,715,119 | - | 3,715,119 | - |
| Federal Home Loan Banks | 4,372,570 | - | 4,372,570 | - |
| Federal Home Loan Mortgage Corporation | 4,444,359 | - | 4,444,359 | - |
| Federal National Mortgage Association | 3,870,085 | - | 3,870,085 | - |
| U.S. Corporate Bonds | 9,392,850 | - | 9,392,850 | - |
| Investments Held by Bond Trustee: | | | | |
| Certificates of Deposit | <u>18,303,445</u> | - | <u>18,303,445</u> | - |
| | <u>49,327,428</u> | - | <u>49,327,428</u> | - |
| Unclassified Investments | | | | |
| Pooled Investments in the City: | | | | |
| Local Agency Investment Fund | 16,941,390 | | | |
| Investments Held by Bond Trustee: | | | | |
| Money Market Funds | 4,726,883 | | | |
| Investments in Successor Agency Private Purpose Trust Fund: | | | | |
| Local Agency Investment Fund | 6,104,137 | | | |
| Investments held by bond trustee: | | | | |
| Money Market Funds | <u>3,117,431</u> | | | |
| Total Investments | <u>\$ 80,217,269</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, 2018**

NOTE 3 – RECEIVABLES

Accounts Receivable

At June 30, 2018, 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 | \$ 3,588,735 | \$ 1,274,455 | \$ 762,551 | \$ 5,625,741 | | | |
| Less: allowance for uncollectibles | (14,949) | - | (210) | (15,159) | | | |
| Total accounts receivable, net | <u>\$ 3,573,786</u> | <u>\$ 1,274,455</u> | <u>\$ 762,341</u> | <u>\$ 5,610,582</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 | \$ 902,831 | \$ 281,043 | \$ 334,334 | \$ 20,035 | \$ 1,226,360 | \$ 2,764,603 | \$ 2,057 |
| Less: allowance for uncollectibles | (55,711) | (47,373) | (114,272) | (11,614) | - | (228,970) | - |
| Total accounts receivable, net | <u>\$ 847,120</u> | <u>\$ 233,670</u> | <u>\$ 220,062</u> | <u>\$ 8,421</u> | <u>\$ 1,226,360</u> | <u>\$ 2,535,633</u> | <u>\$ 2,057</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 (MPA) for multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years. MPA is required to repay the loan through the net cash flow payments it receives from project operations. The loan balance at June 30, 2018 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, 2018 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 \$7,064 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, 2018**

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, 2018 are summarized as follows:

| <u>Loan Type</u> | <u>Outstanding Loan Balance</u> | <u>Due</u> |
|------------------------|---|------------|
| First-time homebuyer | \$ 5,454,505 | 30 years |
| Housing rehabilitation | 1,477,472 | 30 years |
| Small business | 552,204 | 10 years |
| Total | <u>\$ 7,484,181</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, 2018:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--|---------------------------------|-------------------------------|
| Major funds: | | |
| General fund | \$ 1,175,219 | \$ - |
| Nonmajor funds: | | |
| Street construction special revenue fund | - | 174,677 |
| Rehab residential special revenue fund | - | 2,727 |
| Local transit enterprise fund | - | 595,052 |
| Golf course enterprise fund | - | 402,763 |
| Total | <u>\$ 1,175,219</u> | <u>\$ 1,175,219</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND ACTIVITY (Continued)

Long-term Interfund Receivables/Payables

As of June 30, 2018, balances for interfund loans were as follows:

| | Advances To Other Funds | Advances From Other Funds |
|-----------------------------|-------------------------------|---------------------------------|
| | <u> </u> | <u> </u> |
| Major funds: | | |
| General fund | \$ 134,641 | \$ - |
| Nonmajor funds: | | |
| Golf course enterprise fund | <u>-</u> | <u>134,641</u> |
| Total | <u>\$ 134,641</u> | <u>\$ 134,641</u> |

The advance of \$134,641 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.

| | Transfers | |
|--|---------------------|---------------------|
| | <u>In</u> | <u>Out</u> |
| Major funds: | | |
| General fund | \$ 4,128,980 | \$ 772,244 |
| General impact fee special revenue fund | - | 564,754 |
| Special gas tax special revenue fund | - | 2,923,434 |
| Water enterprise fund | - | 86,651 |
| Sewer enterprise fund | 225,000 | 31,379 |
| Solid waste enterprise fund | 75,147 | 682,460 |
| Drainage operations enterprise fund | - | 54,779 |
| Internal service fund | 682,808 | 31,521 |
| Nonmajor funds: | | |
| Parking district special revenue fund | - | 7,903 |
| Street construction special revenue fund | - | 488,000 |
| Intermodal building special revenue fund | - | 162 |
| Community facilities district special revenue fund | - | 527,660 |
| Local transit enterprise fund | - | 61,338 |
| Golf course enterprise fund | 247,083 | - |
| Airport enterprise fund | - | 3,294 |
| Park facilities debt service fund | 194,257 | - |
| Streets and roads capital projects fund | <u>682,304</u> | <u>-</u> |
| Total | <u>\$ 6,235,579</u> | <u>\$ 6,235,579</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2018 is as follows:

| | Balance June 30, 2017 (Restated) | Additions | Deletions | Reclassifications | Transfers | Balance June 30, 2018 |
|---|--|----------------|-------------|-------------------|-----------|--------------------------|
| Governmental Activities | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 10,679,740 | \$ 631,422 | \$ - | \$ - | \$ - | \$ 11,311,162 |
| Construction in progress | 9,479,137 | 1,357,306 | - | (7,272,974) | (800) | 3,562,669 |
| Total capital assets not being depreciated | 20,158,877 | 1,988,728 | - | (7,272,974) | (800) | 14,873,831 |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 21,345,585 | - | - | (110,214) | - | 21,235,371 |
| Equipment | 12,191,417 | 688,953 | (363,045) | 781,263 | - | 13,298,588 |
| Infrastructure | 291,254,666 | 22,169 | (43,904) | 6,601,925 | - | 297,834,856 |
| Total capital assets being depreciated | 324,791,668 | 711,122 | (406,949) | 7,272,974 | - | 332,368,815 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | 6,607,035 | 415,261 | - | (56,944) | - | 6,965,352 |
| Equipment | 8,466,652 | 714,491 | (331,663) | - | - | 8,849,480 |
| Infrastructure | 146,165,783 | 7,207,988 | (4,596) | 56,944 | - | 153,426,119 |
| Total accumulated depreciation | 161,239,470 | 8,337,740 | (336,259) | - | - | 169,240,951 |
| Governmental activities capital assets, net | \$ 183,711,075 | \$ (5,637,890) | \$ (70,690) | \$ - | \$ (800) | \$ 178,001,695 |

Capital assets activity of the business-type activities for the year ended June 30, 2018 is as follows:

| | Balance June 30, 2017 (Restated) | Additions | Deletions | Reclassifications | Transfers | Balance June 30, 2018 |
|--|--|----------------|-----------|-------------------|-----------|--------------------------|
| Business-Type Activities | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 9,347,017 | \$ - | \$ - | \$ - | \$ - | \$ 9,347,017 |
| Construction in progress | 4,479,747 | 1,043,282 | - | (1,999,719) | 1,071 | 3,524,381 |
| Total capital assets not being depreciated | 13,826,764 | 1,043,282 | - | (1,999,719) | 1,071 | 12,871,398 |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 57,513,812 | - | - | - | - | 57,513,812 |
| Equipment | 23,582,053 | 96,761 | (105,462) | 476,669 | - | 24,050,021 |
| Infrastructure | 76,966,027 | - | - | 1,523,050 | - | 78,489,077 |
| Total capital assets being depreciated | 158,061,892 | 96,761 | (105,462) | 1,999,719 | - | 160,052,910 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | 29,498,895 | 1,736,744 | - | - | - | 31,235,639 |
| Equipment | 3,645,382 | 283,562 | (105,462) | - | - | 3,823,482 |
| Infrastructure | 33,623,159 | 1,934,634 | - | - | - | 35,557,793 |
| Total accumulated depreciation | 66,767,436 | 3,954,940 | (105,462) | - | - | 70,616,914 |
| Business-type activities capital assets, net | \$ 105,121,220 | \$ (2,814,897) | \$ - | \$ - | \$ 1,071 | \$ 102,307,394 |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 | \$ 6,170,692 |
| Public protection | 134,902 |
| Social services | 11,981 |
| Public ways and facilities | 853,767 |
| Community development | 15,452 |
| Culture and recreation | 703,406 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 447,540 |

| | |
|--|--------------|
| Total depreciation expense - governmental activities | \$ 8,337,740 |
|--|--------------|

Business-type activities:

| | |
|---------------------|------------|
| Water | \$ 822,922 |
| Sewer | 2,241,509 |
| Solid waste | 5,458 |
| Drainage operations | 345,009 |
| Local transit | 241,325 |
| Airport | 298,717 |

| | |
|---|--------------|
| Total depreciation expense - business-type activities | \$ 3,954,940 |
|---|--------------|

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 | Total |
|-------------------|-----------------|-------------------------|--------------|
| Other taxes | \$ 40,642 | \$ - | \$ 40,642 |
| Intergovernmental | 257 | 1,046,925 | 1,047,182 |
| Total | \$ 40,899 | \$ 1,046,925 | \$ 1,087,824 |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 \$50,000 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 \$376,319.
- 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.
- The City has other postemployment benefits related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 9.

NOTE 7 – LONG-TERM LIABILITIES

Changes in the City’s long-term liabilities for the year ended June 30, 2018 were as follows:

| | Balance June 30, 2017 (Restated) | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|--------------------------------------|--|---------------------|-----------------------|--------------------------|------------------------|
| Governmental Activities | | | | | |
| Capital Leases: | | | | | |
| Police Facility | \$ 890,312 | \$ - | \$ (890,312) | \$ - | \$ - |
| Madera Youth Center | 361,087 | - | (176,026) | 185,061 | 185,061 |
| Police In-car Camera lease | 74,759 | - | (32,428) | 42,331 | 33,701 |
| ERP System and Fire Truck | 1,099,608 | - | (303,675) | 795,933 | 311,960 |
| Total capital leases | <u>2,425,766</u> | - | <u>(1,402,441)</u> | 1,023,325 | 530,722 |
| Loans Payable: | | | | | |
| Police Facility Commercial Loan | - | 895,900 | (54,500) | 841,400 | 102,500 |
| PG&E Energy Efficiency Retrofit loan | 60,088 | - | (37,934) | 22,154 | 18,967 |
| Total loans payable | 60,088 | 895,900 | (92,434) | 863,554 | 121,467 |
| Compensated absences | 1,337,427 | 256,173 | - | 1,593,600 | 1,029,606 |
| Net OPEB liability | 2,760,929 | 26,185 | - | 2,787,114 | - |
| Net pension liability | <u>32,123,546</u> | <u>5,174,508</u> | <u>-</u> | <u>37,298,054</u> | <u>-</u> |
| Total | <u>\$ 38,707,756</u> | <u>\$ 6,352,766</u> | <u>\$ (1,494,875)</u> | <u>\$ 43,565,647</u> | <u>\$ 1,681,795</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

| | Balance June 30, 2017 (Restated) | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|---|--|---------------------|-----------------------|--------------------------|------------------------|
| Business-Type Activities | | | | | |
| Loans payable: | | | | | |
| CIEDB loan | \$ 7,636,190 | \$ - | \$ (303,735) | \$ 7,332,455 | \$ 312,877 |
| Airport Hanger loan | 145,565 | - | (21,518) | 124,047 | 22,547 |
| Golf Course Commercial Loan | - | 1,657,100 | (10,600) | 1,646,500 | 278,400 |
| Total loans payable | <u>7,781,755</u> | <u>1,657,100</u> | <u>(335,853)</u> | <u>9,103,002</u> | <u>613,824</u> |
| Bonds payable: | | | | | |
| Water Revenue Bonds, Series 2010 | 10,165,000 | - | (315,000) | 9,850,000 | 320,000 |
| Less: unamortized bond discounts | (113,870) | - | 5,422 | (108,448) | - |
| 1993 Variable Rate Demand Bonds (Madera Municipal Golf Course Refinancing Project) | 2,175,000 | - | (2,175,000) | - | - |
| Water and Wastewater Refunding Revenue Bonds, Series 2015 | <u>29,030,000</u> | <u>-</u> | <u>(1,075,000)</u> | <u>27,955,000</u> | <u>1,120,000</u> |
| Total bonds payable | 41,256,130 | - | (3,559,578) | 37,696,552 | 1,440,000 |
| Compensated absences | 252,632 | 38,094 | - | 290,726 | 290,726 |
| Net OPEB Liability | 261,542 | 120,848 | - | 382,390 | - |
| Net pension liability | <u>6,885,087</u> | <u>1,202,753</u> | <u>-</u> | <u>8,087,840</u> | <u>-</u> |
| Total | <u>\$ 56,437,146</u> | <u>\$ 3,018,795</u> | <u>\$ (3,895,431)</u> | <u>\$ 55,560,510</u> | <u>\$ 2,344,550</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. During the year ended June 30, 2018, this lease was refunded through Police Facility Commercial which is described in this note.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the outstanding balance of the Youth Center capital lease was \$185,061.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-----------------|-------------------|
| 2019 | \$ 185,061 | \$ 9,250 | \$ 194,311 |
| Total | <u>\$ 185,061</u> | <u>\$ 9,250</u> | <u>\$ 194,311</u> |

Police In-Car Camera

In August 2014, the City 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, 2018, the outstanding balance of the capital lease was \$42,331.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2019 | \$ 33,701 | \$ 1,153 | \$ 34,854 |
| 2020 | 8,630 | 83 | 8,713 |
| Total | <u>\$ 42,331</u> | <u>\$ 1,236</u> | <u>\$ 43,567</u> |

ERP and Fire Truck

In August 2015, the City 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, 2018, the outstanding balance of the capital lease was \$795,933. The cash balance in the Escrow Fund held at the Community Business Bank as of June 30, 2018 was \$193,806. This remaining fund in the Escrow Fund account will be used to fund the acquisition of the equipment in the following fiscal year.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 2019 | \$ 311,960 | \$ 19,470 | \$ 331,430 |
| 2020 | 320,473 | 10,959 | 331,432 |
| 2021 | 163,500 | 2,215 | 165,715 |
| Total | <u>\$ 795,933</u> | <u>\$ 32,644</u> | <u>\$ 828,577</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities Long-Term Debt (Continued)

Loans Payable

2018 Refunding of the Police Facility (Police Facility Commercial Loan)

In December 2005, the City entered into a capital lease agreement with La Salle Bank (and subsequently sold to Capital One Public Funding, LLC) 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 was payable over a period of twenty years.

On January 1, 2018, the capital lease was refunded and the Financing Authority paid the City an advance rental for the use and right to the possession of the Police and Golf Course facilities for a total of \$2,553,000. The lease was then assigned to Zions Bank/California Bank & Trust on the same day and named the Police Facility Commercial Loan. The bonds are due in annual installments of \$50,900 to \$61,600 beginning May 2018 with interest rate fixed 2.760% per annum payable semi-annually. Total principal and interest remaining on the agreement is payable through 2026. At June 30, 2018, the outstanding balance was \$841,400.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 2019 | \$ 102,500 | \$ 7,968 | \$ 110,468 |
| 2020 | 105,300 | 22,520 | 127,820 |
| 2021 | 108,200 | 16,746 | 124,946 |
| 2022 | 111,200 | 13,739 | 124,939 |
| 2023 | 114,400 | 10,648 | 125,048 |
| 2024-2026 | 299,800 | 12,526 | 312,326 |
| Total | <u>\$ 841,400</u> | <u>\$ 84,147</u> | <u>\$ 925,547</u> |

PG&E Energy Efficient 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, 2018, the outstanding balance of the PG&E Energy Efficiency Retrofit Loan was \$22,154.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2019 | \$ 18,967 | \$ - | \$ 18,967 |
| 2020 | 3,187 | - | 3,187 |
| Total | <u>\$ 22,154</u> | <u>\$ -</u> | <u>\$ 22,154</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

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, 2018, the outstanding balance of the California Infrastructure and Economic Development Bank loan was \$7,332,455.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 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 | 352,283 | 175,999 | 528,282 |
| 2024-2028 | 1,926,999 | 711,920 | 2,638,919 |
| 2029-2033 | 2,235,005 | 399,279 | 2,634,284 |
| 2034-2036 | 1,509,011 | 69,030 | 1,578,041 |
| Total | <u>\$ 7,332,455</u> | <u>\$ 2,161,705</u> | <u>\$ 9,494,160</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, 2018, the outstanding balance of the Department of Transportation, Division of Aeronautics loan was \$124,047.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 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 | 1,300 | 28,481 |
| Total | <u>\$ 124,047</u> | <u>\$ 18,354</u> | <u>\$ 142,401</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Loans Payable (Continued)

2018 Refunding of the 1993 Variable Rate Demand Bonds (Golf Course Commercial Loan)

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.

On January 1, 2018, the Bonds were refunded and the Financing Authority paid the City an advance rental for the use and right to the possession of the Golf Course and Police facilities for a total of \$2,553,000. The lease was then assigned to Zions Bank/California Bank & Trust on the same day and named the Golf Course Commercial Loan. The loan is due in annual installments of \$138,100 (\$10,600 first year) to \$161,800 beginning May 2018 with interest rate fixed 3.190% per annum payable semi-annually. Total principal and interest remaining on the agreement is payable through 2023. At June 30, 2018, the outstanding balance was \$1,646,500.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 278,400 | \$ 50,321 | \$ 328,721 |
| 2020 | 287,400 | 41,368 | 328,768 |
| 2021 | 296,600 | 32,128 | 328,728 |
| 2022 | 306,200 | 22,590 | 328,790 |
| 2023 | 316,100 | 12,744 | 328,844 |
| 2024 | <u>161,800</u> | <u>2,581</u> | <u>164,381</u> |
| Total | <u>\$ 1,646,500</u> | <u>\$ 161,732</u> | <u>\$ 1,808,232</u> |

Bonds Payable

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, 2018, the outstanding balance of the Water and Wastewater Revenue Bonds was \$27,995,000.

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 \$38,790,080 payable through 2036.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Water</u> | | | <u>Sewer</u> | | | <u>Total</u> | | |
|-----------------------------|---------------------|-------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 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 | 85,000 | 57,905 | 142,905 | 1,210,000 | 801,605 | 2,011,605 | 1,295,000 | 859,510 | 2,154,510 |
| 2024-2028 | 495,000 | 238,650 | 733,650 | 6,750,000 | 3,303,175 | 10,053,175 | 7,245,000 | 3,541,825 | 10,786,825 |
| 2029-2033 | 580,000 | 141,525 | 721,525 | 8,095,000 | 1,958,410 | 10,053,410 | 8,675,000 | 2,099,935 | 10,774,935 |
| 2034-2036 | <u>405,000</u> | <u>30,340</u> | <u>435,340</u> | <u>5,610,000</u> | <u>420,320</u> | <u>6,030,320</u> | <u>6,015,000</u> | <u>450,660</u> | <u>6,465,660</u> |
| Total | <u>\$ 1,880,000</u> | <u>\$ 729,825</u> | <u>\$ 2,609,825</u> | <u>\$ 26,075,000</u> | <u>\$ 10,105,255</u> | <u>\$ 36,180,255</u> | <u>\$ 27,955,000</u> | <u>\$ 10,835,080</u> | <u>\$ 38,790,080</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the outstanding balance was \$9,850,000.

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 \$38,790,080, 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 \$5,422. At June 30, 2018, the outstanding balance of the discount on the bonds was \$108,448.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|----------------------|
| 2019 | \$ 320,000 | \$ 458,063 | \$ 778,063 |
| 2020 | 335,000 | 448,463 | 783,463 |
| 2021 | 345,000 | 435,063 | 780,063 |
| 2022 | 355,000 | 422,556 | 777,556 |
| 2023 | 375,000 | 408,800 | 783,800 |
| 2024-2028 | 2,110,000 | 1,792,213 | 3,902,213 |
| 2029-2023 | 2,640,000 | 1,246,775 | 3,886,775 |
| 2034-2038 | <u>3,370,000</u> | <u>523,000</u> | <u>3,893,000</u> |
| Total | <u>\$ 9,850,000</u> | <u>\$ 5,734,933</u> | <u>\$ 15,584,933</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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. During the year ended June 30, 2018, the bond was refunded by the Golf Course Commercial Loan, as described above.

Compensated Absences

The City's policy relating to compensated absences is described in Note 1. At June 30, 2018, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) balance is \$1,593,600 for governmental activities and \$290,726 for business-type activities. All compensated absence amounts above are generally liquidated by the fund incurring the expense.

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.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS

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, 2018 are summarized as follows:

| | Miscellaneous | | |
|---|-----------------------------|---|--------------------------------|
| | 1st Tier | 2nd Tier | PEPRA |
| Hire Date | Prior to January 1, 2011 | January 1, 2011 thru December 31, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.5% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 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 | 9.451% | 9.451% | 9.451% |

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 \$1,314,350 for the fiscal year ended June 30, 2018.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for the Plan:

| | |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 1,045 |
| Inactive employees entitled to but not yet receiving benefits | 539 |
| Active employees | 194 |
| Total | <u>1,778</u> |

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, 2018 were \$2,394,537.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% ⁽¹⁾ |
| Investment Rate of Return | 7.00% ⁽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.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website under the GASB 68 section.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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+ 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% | 4.90% | 5.38% |
| Global Fixed Income | 19.00% | 0.80% | 2.27% |
| Inflation Sensitive | 6.00% | 0.60% | 1.39% |
| Private Equity | 12.00% | 6.60% | 6.63% |
| Real Estate | 11.00% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.00% | 3.90% | 5.36% |
| Liquidity | 2.00% | -0.40% | -0.90% |
| 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, 2018**

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 6/30/2016 | \$74,332,633 | \$52,102,473 | \$22,230,160 |
| Changes in the year: | | | |
| Service cost | 1,857,394 | - | 1,857,394 |
| Interest on total pension liability | 5,651,202 | - | 5,651,202 |
| Changes in benefit terms | - | - | - |
| Changes of assumptions | 4,531,204 | - | 4,531,204 |
| Differences between expected and actual experience | 1,184,077 | - | 1,184,077 |
| Plan to plan resource movement | - | (1,724) | 1,724 |
| Contributions - employer | - | 2,329,046 | (2,329,046) |
| Contributions - employees | - | 829,670 | (829,670) |
| Net investment income | - | 5,795,462 | (5,795,462) |
| Benefit payment, including refunds of employee contributions | (3,877,650) | (3,877,650) | - |
| Administrative expenses | - | (76,926) | 76,926 |
| Net changes | 9,346,227 | 4,997,878 | 4,348,349 |
| Balance at 6/30/2017 | \$83,678,860 | \$57,100,351 | \$26,578,509 |

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% |
|-------------------|-----------------------|-------------------|
| 6.15% | 7.15% | 8.15% |
| \$37,512,495 | \$26,578,509 | \$17,521,178 |

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, 2018**

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, 2018, the City recognized pension expense of \$4,917,383. At June 30, 2018, 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 | \$2,752,275 | \$ - |
| Changes of assumptions | 3,069,525 | 74,341 |
| Differences between actual and expected experience | 921,911 | 16,870 |
| Net differences between projected and actual earnings on plan investments | 752,047 | - |
| Total | <u>\$ 7,495,758</u> | <u>\$ 91,211</u> |

\$2,104,843 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 | |
|-----------------------|-------------|
| 2019 | \$1,836,211 |
| 2020 | 2,734,648 |
| 2021 | 503,122 |
| 2022 | (421,709) |
| 2023 | - |
| Thereafter | - |

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, 2018.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 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 | 19.723% | 16.842% | 11.990% |

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 \$890,939 for the fiscal year ended June 30, 2018.

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, 2018 were \$1,942,249.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$18,807,385.

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, 2017, 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, 2016, rolled forward to June 30, 2017, 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 2017 was as follows:

| | |
|------------------------------|----------|
| Proportion - June 30, 2016 | 0.3240% |
| Proportion - June 30, 2017 | 0.3148% |
| Change - Increase (Decrease) | -0.0092% |

For the year ended June 30, 2018, the City recognized pension expense of \$3,137,614. At June 30, 2018, 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 | \$2,136,349 | \$ - |
| Changes of assumptions | 2,565,296 | 196,816 |
| Differences between actual and expected experience | 176,886 | 46,119 |
| Net differences between projected and actual earnings on plan investments | 559,334 | - |
| Change in employer's proportion | 252,093 | 81,069 |
| Differences between the employer's actual contributions and the employer's proportionate share of contributions | 452,393 | - |
| Total | \$ 6,142,351 | \$ 324,004 |

\$2,136,349 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, 2019. 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 | |
|-----------------------|--------------|
| 2019 | \$ 1,112,184 |
| 2020 | 1,787,579 |
| 2021 | 1,109,523 |
| 2022 | (327,288) |
| 2023 | - |
| Thereafter | - |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% ⁽¹⁾ |
| Investment Rate of Return | 7.00% ⁽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 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on 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, 2018**

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+ 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% | 4.90% | 5.38% |
| Global Fixed Income | 19.00% | 0.80% | 2.27% |
| Inflation Sensitive | 6.00% | 0.60% | 1.39% |
| Private Equity | 12.00% | 6.60% | 6.63% |
| Real Estate | 11.00% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.00% | 3.90% | 5.36% |
| Liquidity | 2.00% | -0.40% | -0.90% |
| 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% |
|-------------------|-----------------------|-------------------|
| 6.15% | 7.15% | 8.15% |
| \$27,282,061 | \$18,807,385 | \$11,879,760 |

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 an outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Plan Description

The City of Madera Retiree Healthcare Plan (OPEB 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.

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

Employees Covered

As of the July 1, 2016 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

| | |
|--|------------|
| Inactive plan member or beneficiaries currently receiving benefits | 18 |
| Inactive plan members entitled to but not yet receiving benefits | - |
| Active employees | <u>216</u> |
| Total | <u>234</u> |

Contributions

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 2017-18, the City contributed approximately \$33,055 on a pay-as-you-go-basis for cash subsidy benefit payments and approximately \$70,466 for implied subsidy benefit payments.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Actuarial Assumptions: | |
| Discount Rate | 3.13% |
| Investment Rate Return | 4.00% |
| Mortality Rate ⁽¹⁾ | Derived using CalPERS' Membership data for all Funds |
| Pre-Retirement Turnover ⁽²⁾ | Derived using CalPERS' Membership data for all Funds |
| Healthcare Cost Trend Rates | 6.00%, trending down to 5.00% thereafter |

⁽¹⁾ Pre-retirement mortality information was derived from data collected during the 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CALPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

⁽²⁾ Pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City's Total OPEB liability is based on these requirements.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Change in OPEB Liability

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2017 (Valuation Date June 30, 2017) | \$ 3,022,471 | \$ - | \$ 3,022,471 |
| Changes in the year: | | | |
| Service cost | 165,796 | - | 165,796 |
| Interest on the total OPEB liability | 92,870 | - | 92,870 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Contributions - employer (including implicit rate subsidy) | - | 111,633 | (111,633) |
| Net investment income | - | - | - |
| Benefit payments, including refunds of member contributions | (111,633) | (111,633) | - |
| Administrative expenses | - | - | - |
| Net changes | 147,033 | - | 147,033 |
| Balance at June 30, 2017 (Measurement Date) | \$ 3,169,504 | \$ - | \$ 3,169,504 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

| 1% Decrease 2.13% | Current Discount Rate 3.13% | 1% Increase 4.13% |
|----------------------|--------------------------------|----------------------|
| \$ 3,571,856 | \$ 3,169,504 | \$ 2,822,447 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

| 1% Decrease 5.50%/5.00% decreasing to 4.00% | Current Healthcare Cost Trend Rates 6.50%/6.00% decreasing to 5.00% | 1% Increase 7.50%/7.00% increasing to 3.00% |
|---|--|---|
| \$ 2,723,975 | \$ 3,169,504 | \$ 3,713,370 |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized an OPEB expense of \$258,666. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 33,055 | \$ - |
| Total | \$ 33,055 | \$ - |

\$33,055 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, 2019. There are no other amounts reported as deferred outflows of resources related to OPEB that will be recognized as an expense in subsequent years.

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, 2018**

NOTE 11 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2018, is presented as follows:

| Statement of Net Position | |
|----------------------------------|----------------------|
| Current assets | \$ 34,817,411 |
| Noncurrent assets | <u>75,417,222</u> |
| Total assets | <u>110,234,633</u> |
| | |
| Current liabilities | 19,167,959 |
| Noncurrent liabilities | <u>73,041,272</u> |
| Total liabilities | <u>92,209,231</u> |
| | |
| Total net position | <u>\$ 18,025,402</u> |

| Statement of Revenues, Expenses and Changes in Net Position | |
|--|----------------------|
| Operating revenues | \$ 46,355,775 |
| Operating expenses | <u>46,619,021</u> |
| Operating income (loss) | (263,246) |
| | |
| Nonoperating income (loss) | <u>314,077</u> |
| | |
| Increase (decrease) in net position | 50,831 |
| | |
| Net position - beginning of year | <u>17,974,571</u> |
| | |
| Net position - end of year | <u>\$ 18,025,402</u> |

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Litigation

The City is currently a party to various claims and legal proceedings. Although the outcome of these lawsuits is not presently determinable, it is management's opinion that 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, 2018, the City has not recorded revenues from the Hospital.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018. At year-end, the City's major contractual commitments are as follows:

| Project | Contract Amount | Spent-to-Date | Remaining Commitment |
|---|---------------------|---------------------|----------------------|
| Water System Condition Assessment/Rehab | \$ 295,000 | \$ 120,295 | \$ 174,705 |
| Sewer System Assesment/Rehab | 320,320 | 108,725 | 211,595 |
| Transit Facility | 415,000 | 289,367 | 125,633 |
| Fire Station 58 Construction | 455,008 | 227,794 | 227,214 |
| Sewer Main Video Inspection | 536,000 | 369,302 | 166,698 |
| Water Main Installations | <u>738,141</u> | <u>485,989</u> | <u>252,152</u> |
| Total | <u>\$ 2,759,469</u> | <u>\$ 1,601,472</u> | <u>\$ 1,157,997</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 | \$ 653,736 |
| Water fund | 440,452 |
| Sewer Fund | 717,594 |
| Nonmajor enterprise funds | 749,114 |
| General development impact fee fund | <u>1,652,061</u> |
| Total | <u>\$ 4,212,957</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 \$157,417. The deficit is due primarily to the \$1,646,500 outstanding debt for the Golf Course Commercial Loan. 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, 2018**

NOTE 14 – RESTATEMENTS OF BEGINNING FUND BALANCES AND NET POSITIONS

Adjustments resulting from error or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net position/fund balance.

Restatements as of the beginning of the fiscal year were made to correct beginning accounts receivable that should have been recognized as revenue in the prior year.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| Beginning net position | \$ 203,422,144 | \$ 73,835,943 | \$ 277,258,087 |
| Prior period adjustments: | | | |
| Understatement of land held for resale | 351,500 | - | 351,500 |
| Understatement of capital assets | <u>3,106,220</u> | <u>-</u> | <u>3,106,220</u> |
| Total prior period adjustments | <u>3,457,720</u> | <u>-</u> | <u>3,457,720</u> |
| Change in accounting principle: | | | |
| Record the beginning deferred OPEB contributions and net OPEB liability | <u>(450,330)</u> | <u>431,429</u> | <u>(18,901)</u> |
| Total change in accounting principle | <u>(450,330)</u> | <u>431,429</u> | <u>(18,901)</u> |
| Beginning net position, as restated | <u>\$ 206,429,534</u> | <u>\$ 74,267,372</u> | <u>\$ 280,696,906</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 | | | Internal Service Funds |
|---|-------------------------|---------------------|-----------------------------|----------------------|---------------------|------------------------|
| | General Fund | Street Construction | Intermodal Building | Total | Total | |
| Beginning fund balance/net position | \$ 15,440,102 | \$ 179,527 | \$ 9,181 | \$ 15,628,810 | \$ 1,685,218 | |
| Prior period adjustments: | | | | | | |
| Understatement of land held for resale | 351,500 | - | - | 351,500 | - | |
| Overstatement of accounts payable | - | (1,222) | - | (1,222) | - | |
| Overstatement unavailable revenue | <u>-</u> | <u>324,732</u> | <u>18,527</u> | <u>343,259</u> | <u>-</u> | |
| Total prior period adjustments | <u>351,500</u> | <u>323,510</u> | <u>18,527</u> | <u>693,537</u> | <u>-</u> | |
| Change in accounting principle: | | | | | | |
| Record the beginning deferred OPEB contributions and net OPEB liability | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>115,281</u> | |
| Total change in accounting principle | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>115,281</u> | |
| Beginning fund balance/net position, as restated | <u>\$ 15,791,602</u> | <u>\$ 503,037</u> | <u>\$ 27,708</u> | <u>\$ 16,322,347</u> | <u>\$ 1,800,499</u> | |

| Description | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | | Total |
|---|------------------------|----------------------|---------------------|--------------------------|---------------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | Solid Waste Fund | Drainage Operations Fund | Local Transit Fund | Airport Fund | |
| Beginning fund balance/net position | \$ 20,476,853 | \$ 17,567,612 | \$ 2,455,538 | \$ 19,166,527 | \$ 2,314,040 | \$ 12,870,636 | \$ 74,851,206 |
| Change in accounting principle: | | | | | | | |
| Record the beginning deferred OPEB contributions and net OPEB liability | <u>(5,234)</u> | <u>5,881</u> | <u>55,302</u> | <u>26,391</u> | <u>338,939</u> | <u>10,150</u> | <u>431,429</u> |
| Total change in accounting principle | <u>(5,234)</u> | <u>5,881</u> | <u>55,302</u> | <u>26,391</u> | <u>338,939</u> | <u>10,150</u> | <u>431,429</u> |
| Beginning fund balance/net position, as restated | <u>\$ 20,471,619</u> | <u>\$ 17,573,493</u> | <u>\$ 2,510,840</u> | <u>\$ 19,192,918</u> | <u>\$ 2,652,979</u> | <u>\$ 12,880,786</u> | <u>\$ 75,282,635</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 – SEGMENT INFORMATION

Segment information for the Water Fund, Sewer Fund, and Golf Course Fund as of June 30, 2018 was as follows:

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Golf Course Fund</u> |
|--|----------------------|----------------------|-----------------------------|
| CONDENSED STATEMENT OF NET POSITION | | | |
| Assets: | | | |
| Current assets | \$ 17,181,159 | \$ 9,954,125 | \$ 58,588 |
| Capital assets | <u>22,593,292</u> | <u>43,849,604</u> | <u>2,028,861</u> |
| Total assets | <u>39,774,451</u> | <u>53,803,729</u> | <u>2,087,449</u> |
| Deferred outflows of resources | <u>870,045</u> | <u>705,621</u> | <u>-</u> |
| Liabilities: | | | |
| Current liabilities | 2,879,556 | 2,480,890 | 826,766 |
| Noncurrent liabilities | <u>14,492,880</u> | <u>34,739,153</u> | <u>1,368,100</u> |
| Total liabilities | <u>17,372,436</u> | <u>37,220,043</u> | <u>2,194,866</u> |
| Deferred inflows of resources | <u>31,329</u> | <u>358,991</u> | <u>50,000</u> |
| Net position: | | | |
| Net investment in capital assets | 14,001,020 | 10,442,149 | 382,361 |
| Restricted | 1,125,151 | - | - |
| Unrestricted | <u>8,114,560</u> | <u>6,488,167</u> | <u>(539,778)</u> |
| Total net position | <u>\$ 23,240,731</u> | <u>\$ 16,930,316</u> | <u>\$ (157,417)</u> |
| CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION | | | |
| Operating revenues | \$ 11,876,412 | \$ 8,788,389 | \$ 100,469 |
| Depreciation expense | (822,922) | (2,241,509) | - |
| Other operating expenses | <u>(7,763,630)</u> | <u>(6,280,676)</u> | <u>(99,218)</u> |
| Operating income (loss) | 3,289,860 | 266,204 | 1,251 |
| Nonoperating revenue (expenses): | | | |
| Investment income | 50,732 | 9,837 | 592 |
| Interest expense | (546,500) | (1,211,034) | (36,014) |
| Other nonoperating revenue (expenses) | 5,128 | 95,299 | (63,780) |
| Capital contributions | 56,543 | 2,896 | - |
| Transfers in | - | 225,000 | 247,083 |
| Transfers out | <u>(86,651)</u> | <u>(31,379)</u> | <u>-</u> |
| Change in net position | 2,769,112 | (643,177) | 149,132 |
| Beginning net position | 20,476,853 | 17,567,612 | (306,549) |
| Prior period adjustments | <u>(5,234)</u> | <u>5,881</u> | <u>-</u> |
| Ending net position | <u>\$ 23,240,731</u> | <u>\$ 16,930,316</u> | <u>\$ (157,417)</u> |
| CONDENSED STATEMENT OF CASH FLOWS | | | |
| Net cash provided (used) by: | | | |
| Operating activities | \$ 4,426,857 | \$ 3,036,561 | \$ (316) |
| Noncapital financing activities | (83,564) | 279,379 | 249,837 |
| Capital and related financing activities | <u>(1,582,168)</u> | <u>(2,560,059)</u> | <u>(558,793)</u> |
| Investment activities | 50,732 | 9,837 | 592 |
| Net increase (decrease) | 2,811,857 | 765,718 | (308,680) |
| Beginning cash and cash equivalents | <u>13,520,295</u> | <u>8,941,948</u> | <u>308,680</u> |
| Ending cash and cash equivalents | <u>\$ 16,332,152</u> | <u>\$ 9,707,666</u> | <u>\$ -</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 is as follows:

| | <u>Balance</u> <u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|--|--|---------------------|------------------|--|
| 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 | 5,076,597 | - | - | 5,076,597 |
| Equipment | 378,169 | - | - | 378,169 |
| Total capital assets being depreciated | <u>5,454,766</u> | <u>-</u> | <u>-</u> | <u>5,454,766</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,348,829 | 171,336 | - | 1,520,165 |
| Equipment | 308,620 | 23,183 | - | 331,803 |
| Total accumulated depreciation | <u>1,657,449</u> | <u>194,519</u> | <u>-</u> | <u>1,851,968</u> |
| Capital assets, net | <u>\$ 4,186,883</u> | <u>\$ (194,519)</u> | <u>\$ -</u> | <u>\$ 3,992,364</u> |

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|-----------------------------------|--------------------------|-----------------|-----------------------|--------------------------|------------------------|
| 1998 Tax Allocation Bonds | \$ 5,555,000 | \$ - | \$ (140,000) | \$ 5,415,000 | \$ 150,000 |
| Less: unamortized bond discounts | (58,862) | - | 5,351 | (53,511) | - |
| 2003 Tax Allocation Bonds | 13,985,000 | - | (635,000) | 13,350,000 | 660,000 |
| Add: unamortized bond premiums | 7,349 | - | (469) | 6,880 | - |
| 2008A Series Tax Allocation Bonds | 22,675,000 | - | (415,000) | 22,260,000 | 430,000 |
| 2008B Series Tax Allocation Bonds | 3,410,000 | - | (90,000) | 3,320,000 | 90,000 |
| Less: unamortized bond discounts | (559,151) | - | 26,632 | (532,519) | - |
| Compensated absences | 25,022 | 3,916 | - | 28,938 | 12,815 |
| | <u>\$ 45,039,358</u> | <u>\$ 3,916</u> | <u>\$ (1,248,486)</u> | <u>\$ 43,794,788</u> | <u>\$ 1,342,815</u> |
| Total | | | | | |

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, 2018 was \$5,415,000.

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, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 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 | 180,000 | 222,538 | 402,538 |
| 2024-2028 | 3,630,000 | 733,400 | 4,363,400 |
| 2029 | 965,000 | 22,919 | 987,919 |
| Total | <u>\$ 5,415,000</u> | <u>\$ 1,948,419</u> | <u>\$ 7,363,419</u> |

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, 2018 was \$53,511.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 was \$13,350,000.

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 \$19,991,163 payable through 2034.

The annual debt service requirements at June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 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 | 790,000 | 518,300 | 1,308,300 |
| 2024-2028 | 1,970,000 | 2,168,038 | 4,138,038 |
| 2029-2033 | 6,125,000 | 1,457,700 | 7,582,700 |
| 2034 | 1,635,000 | 81,750 | 1,716,750 |
| Total | <u>\$ 13,350,000</u> | <u>\$ 6,641,163</u> | <u>\$ 19,991,163</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 \$469. Unamortized bond premium as of June 30, 2017 was \$6,880.

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, 2018 was \$39,719,704.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2019 | \$ 430,000 | \$ 1,169,888 | \$ 1,599,888 |
| 2020 | 450,000 | 1,150,538 | 1,600,538 |
| 2021 | 475,000 | 1,130,288 | 1,605,288 |
| 2022 | 495,000 | 1,108,913 | 1,603,913 |
| 2023 | 520,000 | 1,084,163 | 1,604,163 |
| 2024-2028 | 3,040,000 | 5,000,463 | 8,040,463 |
| 2029-2033 | 3,945,000 | 4,120,963 | 8,065,963 |
| 2034-2038 | 10,245,000 | 2,551,513 | 12,796,513 |
| 2039 | <u>2,660,000</u> | <u>142,975</u> | <u>2,802,975</u> |
| Total | <u>\$ 22,260,000</u> | <u>\$ 17,459,704</u> | <u>\$ 39,719,704</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, 2018 was \$461,836.

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, 2018 was \$3,320,000.

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 \$5,590,407 payable through 2039.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 90,000 | \$ 172,644 | \$ 262,644 |
| 2020 | 95,000 | 168,594 | 263,594 |
| 2021 | 100,000 | 164,319 | 264,319 |
| 2022 | 105,000 | 159,819 | 264,819 |
| 2023 | 110,000 | 154,831 | 264,831 |
| 2024-2028 | 640,000 | 686,544 | 1,326,544 |
| 2029-2033 | 835,000 | 499,475 | 1,334,475 |
| 2034-2038 | 1,090,000 | 250,475 | 1,340,475 |
| 2039 | 255,000 | 13,706 | 268,706 |
| Total | <u>\$ 3,320,000</u> | <u>\$ 2,270,407</u> | <u>\$ 5,590,407</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, 2018 was \$70,688.

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 and, accordingly, the debt is not recorded in these financial statements.

On January 1, 2018, the City of Madera, on behalf of the City of Madera Community Facilities District No. 2006-1, issued the City of Madera Community Facilities District No. 2006-1 Special Tax Refunding Bonds Series 2018 to refund the CFD 2006-1 Series Special Tax Bond for the purpose of creating annual debt savings. Total debt service payments were reduced by \$636,877. The amount of principal outstanding as of June 30, 2018 is \$2,452,228.

The bonds are not a 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, 2018 are as follows:

| | <u>Bonds Issued</u> | <u>Bonds Outstanding</u> |
|--|---------------------|--------------------------|
| CFD 2006-1, Series Special Tax Bonds Refunding Bonds Series 2018 | \$ 2,452,228 | \$ 2,452,228 |

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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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 3,784,000 | \$ 3,784,000 | \$ 3,467,163 | \$ (316,837) |
| Sales and use taxes | 11,408,350 | 11,408,350 | 13,262,908 | 1,854,558 |
| Other taxes | 1,321,500 | 1,321,250 | 1,298,932 | (22,318) |
| Use of money and property | 523,420 | 511,420 | 233,178 | (278,242) |
| Franchises | 695,000 | 695,000 | 666,238 | (28,762) |
| Licenses and permits | 721,270 | 739,770 | 1,049,103 | 309,333 |
| Fines | 678,790 | 545,500 | 578,255 | 32,755 |
| Aid from governmental agencies: | | | | |
| Federal | 1,432,932 | 1,483,041 | 517,113 | (965,928) |
| State | 5,772,348 | 5,772,348 | 6,225,407 | 453,059 |
| Other | 166,000 | 259,000 | 171,116 | (87,884) |
| Charges for current services | 1,411,337 | 1,380,883 | 1,378,363 | (2,520) |
| Miscellaneous | 564,358 | 536,627 | 634,370 | 97,743 |
| Total revenues | <u>28,479,305</u> | <u>28,437,189</u> | <u>29,482,146</u> | <u>1,044,957</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 2,055,760 | 2,109,655 | 2,010,569 | 99,086 |
| Public protection | 17,260,860 | 17,302,470 | 16,842,253 | 460,217 |
| Social services | 428,395 | 310,362 | 309,121 | 1,241 |
| Public ways and facilities | 3,238,858 | 3,206,238 | 2,863,024 | 343,214 |
| Community development | 3,149,781 | 3,261,447 | 2,937,494 | 323,953 |
| Culture and recreation | 4,004,958 | 3,936,524 | 3,800,416 | 136,108 |
| Capital outlay | 4,474,045 | 4,547,646 | 1,422,672 | 3,124,974 |
| Debt service: | | | | |
| Principal | 434,172 | 434,172 | 1,276,749 | (842,577) |
| Interest | 27,756 | 27,756 | 57,429 | (29,673) |
| Total expenditures | <u>35,074,585</u> | <u>35,136,270</u> | <u>31,519,727</u> | <u>3,616,543</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,595,280)</u> | <u>(6,699,081)</u> | <u>(2,037,581)</u> | <u>(2,571,586)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 5,237,115 | 4,548,031 | 4,128,980 | (419,051) |
| Transfers out | (772,244) | (772,244) | (772,244) | - |
| Sales of capital assets | 5,000 | 5,000 | 41,691 | 36,691 |
| Proceeds from long-term debt | - | - | 895,900 | 895,900 |
| Total other financing sources (uses) | <u>4,469,871</u> | <u>3,780,787</u> | <u>4,294,327</u> | <u>513,540</u> |
| Net change in fund balance | (2,125,409) | (2,918,294) | 2,256,746 | (2,058,046) |
| Fund balance - beginning (restated) | <u>15,791,602</u> | <u>15,791,602</u> | <u>15,791,602</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 13,666,193</u> | <u>\$ 12,873,308</u> | <u>\$ 18,048,348</u> | <u>\$ (2,058,046)</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 42,672 | \$ 42,672 | \$ 12,294 | \$ (30,378) |
| Charges for current services | <u>1,855,776</u> | <u>1,855,776</u> | <u>1,926,087</u> | <u>70,311</u> |
| Total revenues | <u>1,898,448</u> | <u>1,898,448</u> | <u>1,938,381</u> | <u>39,933</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public ways and facilities | 46,250 | 46,250 | 139,463 | (93,213) |
| Capital outlay | <u>5,947,910</u> | <u>6,854,344</u> | <u>379,793</u> | <u>6,474,551</u> |
| Total expenditures | <u>5,994,160</u> | <u>6,900,594</u> | <u>519,256</u> | <u>6,381,338</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,095,712)</u> | <u>(5,002,146)</u> | <u>1,419,125</u> | <u>(6,341,405)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | <u>(566,227)</u> | <u>(566,227)</u> | <u>(564,754)</u> | <u>1,473</u> |
| Total other financing sources (uses) | <u>(566,227)</u> | <u>(566,227)</u> | <u>(564,754)</u> | <u>1,473</u> |
| Net change in fund balance | (4,661,939) | (5,568,373) | 854,371 | (6,339,932) |
| Fund balance - beginning | <u>12,373,525</u> | <u>12,373,525</u> | <u>12,373,525</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 7,711,586</u> | <u>\$ 6,805,152</u> | <u>\$ 13,227,896</u> | <u>\$ (6,339,932)</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, 2018**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Use of money and property | \$ - | \$ - | \$ 114,500 | \$ 114,500 |
| Aid from governmental agencies: | | | | |
| Federal | 683,596 | 683,596 | 115,633 | (567,963) |
| State | 1,828,939 | 2,045,939 | 1,717,646 | (328,293) |
| Other | <u>3,203,985</u> | <u>3,203,985</u> | <u>1,590,268</u> | <u>(1,613,717)</u> |
| Total revenues | <u>5,716,520</u> | <u>5,933,520</u> | <u>3,538,047</u> | <u>(2,395,473)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Capital outlay | <u>4,976,240</u> | <u>11,030,293</u> | <u>370,868</u> | <u>10,659,425</u> |
| Total expenditures | <u>4,976,240</u> | <u>11,030,293</u> | <u>370,868</u> | <u>10,659,425</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>740,280</u> | <u>(5,096,773)</u> | <u>3,167,179</u> | <u>(13,054,898)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | <u>(3,400,467)</u> | <u>(3,359,896)</u> | <u>(2,923,434)</u> | <u>436,462</u> |
| Total other financing sources (uses) | <u>(3,400,467)</u> | <u>(3,359,896)</u> | <u>(2,923,434)</u> | <u>436,462</u> |
| Net change in fund balance | (2,660,187) | (8,456,669) | 243,745 | (12,618,436) |
| Fund balance - beginning | <u>9,462,802</u> | <u>9,462,802</u> | <u>9,462,802</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 6,802,615</u> | <u>\$ 1,006,133</u> | <u>\$ 9,706,547</u> | <u>\$ (12,618,436)</u> |

CITY OF MADERA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018:

General Fund

| | |
|--------------------------|------------|
| Debt service - principal | \$ 842,577 |
| Debt service - interest | 29,673 |

General Development Impact Fee Fund

| | |
|----------------------------|--------|
| Public ways and facilities | 93,213 |
|----------------------------|--------|

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, 2018

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 1,562,632 | \$ 1,515,655 | \$ 1,556,770 | \$ 1,857,394 |
| Interest on the total pension liability | 4,865,000 | 5,085,808 | 5,352,560 | 5,651,202 |
| Differences between actual and expected experience | - | - | - | - |
| Changes in assumptions | - | (1,189,492) | - | 4,531,204 |
| Changes in benefit terms | - | (269,941) | 337,609 | 1,184,077 |
| Benefit payments, including refunds of employee contributions | <u>(3,247,986)</u> | <u>(3,412,481)</u> | <u>(3,532,833)</u> | <u>(3,877,650)</u> |
| Net change in total pension liability | 3,179,646 | 1,729,549 | 3,714,106 | 9,346,227 |
| Total pension liability - beginning | <u>65,709,332</u> | <u>68,888,978</u> | <u>70,618,527</u> | <u>74,332,633</u> |
| Total pension liability - ending (a) | <u>\$ 68,888,978</u> | <u>\$ 70,618,527</u> | <u>\$ 74,332,633</u> | <u>\$ 83,678,860</u> |
| Plan Fiduciary Net Position | | | | |
| Plan to plan resources | \$ - | \$ - | \$ 394 | \$ (1,724) |
| Contributions - employer | 1,465,153 | 1,603,067 | 1,948,033 | 2,329,046 |
| Contributions - employee | 787,068 | 705,875 | 775,135 | 829,670 |
| Net investment income | 7,962,241 | 1,164,130 | 282,173 | 5,795,462 |
| Administrative expenses | (55,556) | (59,277) | (32,095) | (76,926) |
| Benefit payments, including refunds of employee contributions | <u>(3,247,986)</u> | <u>(3,412,481)</u> | <u>(3,532,833)</u> | <u>(3,877,650)</u> |
| Net change in plan fiduciary net position | 6,910,920 | 1,314 | (559,193) | 4,997,878 |
| Plan fiduciary net position - beginning | <u>45,749,432</u> | <u>52,660,352</u> | <u>52,661,666</u> | <u>52,102,473</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 52,660,352</u> | <u>\$ 52,661,666</u> | <u>\$ 52,102,473</u> | <u>\$ 57,100,351</u> |
| Net pension liability - ending (a)-(b) | <u>\$ 16,228,626</u> | <u>\$ 17,956,861</u> | <u>\$ 22,230,160</u> | <u>\$ 26,578,509</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 76.44% | 74.57% | 70.09% | 68.24% |
| Covered payroll | \$ 8,601,515 | \$ 8,841,088 | \$ 9,754,797 | \$ 10,780,624 |
| Net pension liability as percentage of covered payroll | 188.67% | 203.11% | 227.89% | 246.54% |

Notes to Schedule:

Benefit changes - None

Changes in assumptions - The discount rate decreased from 7.65 percent to 7.15 percent

*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, 2018**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially required contribution (actuarially determined) | \$ 1,397,058 | \$ 1,603,067 | \$ 1,948,033 | \$ 2,329,046 | \$ 2,394,537 |
| 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> | <u>(2,394,537)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 8,601,515 | \$ 8,841,088 | \$ 9,754,797 | \$ 10,780,624 | \$ 11,429,341 |
| Contributions as a percentage of covered payroll | 16.24% | 18.13% | 19.97% | 21.60% | 20.95% |

*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, 2018**

| | 2015 | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|---------------|
| Proportion of the net pension liability | 0.33750% | 0.34000% | 0.32400% | 0.31480% |
| Proportionate share of the net pension liability | \$ 12,759,288 | \$ 14,009,122 | \$ 16,778,473 | \$ 18,807,385 |
| Covered payroll | \$ 3,916,737 | \$ 3,797,547 | \$ 4,211,168 | \$ 4,428,574 |
| Proportionate share of the net pension liability as percentage of covered payroll | 325.76% | 368.90% | 398.43% | 424.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.86% | 72.97% | 69.13% | 68.95% |

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - The discount rate decreased from 7.65 percent to 7.15 percent

*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, 2018**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 1,405,797 | \$ 1,388,656 | \$ 1,650,502 | \$ 1,806,992 | \$ 1,942,249 |
| 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> | <u>(1,942,249)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 3,916,737 | \$ 3,797,547 | \$ 4,211,168 | \$ 4,428,574 | \$ 4,574,668 |
| Contributions as a percentage of covered payroll | 35.89% | 36.57% | 39.19% | 40.80% | 42.46% |

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

**CITY OF MADERA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS***

| | 2018 |
|---|---------------|
| Total OPEB Liability | |
| Service cost | \$ 165,796 |
| Interest on the total OPEB liability | 92,870 |
| Benefit payments ⁽¹⁾ | (111,633) |
| Net change in total OPEB liability | 147,033 |
| Total OPEB liability - beginning | 3,022,471 |
| Total OPEB liability - ending (a) | \$ 3,169,504 |
| | |
| Plan Fiduciary Net Position | |
| Contributions - employer ⁽¹⁾ | \$ 111,633 |
| Benefit payments ⁽¹⁾ | (111,633) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position - beginning | - |
| Plan fiduciary net position - ending (b) | \$ - |
| | |
| Net OPEB liability - ending (a)-(b) | \$ 3,169,504 |
| | |
| (1) Amount includes implicit rate subsidy | |
| | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% |
| | |
| Covered payroll | \$ 13,352,395 |
| | |
| Net OPEB liability as percentage of covered payroll | 23.74% |

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.

SUPPLEMENTARY INFORMATION

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | Special Revenue Funds | | | | |
|---|-------------------------------------|---------------------|---------------------|----------------------|------------------------|
| | Business Improvement District | Park Development | Parking District | Federal Aid Urban | Street Construction |
| ASSETS | | | | | |
| Cash and investments | \$ 4,562 | \$ 133,957 | \$ 95,398 | \$ 239,144 | \$ - |
| Receivables: | | | | | |
| Accounts, net | 1,084 | - | 2,179 | 49,870 | 689,520 |
| Notes | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Land held for resale | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 5,646</u> | <u>\$ 133,957</u> | <u>\$ 97,577</u> | <u>\$ 289,014</u> | <u>\$ 689,520</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 4,346 | \$ - | \$ 1,423 | \$ 95 | \$ 10,504 |
| Salaries payable | - | - | - | - | - |
| Due to other funds | - | - | - | - | 174,677 |
| Unearned revenue | - | - | - | - | - |
| Deposit payable | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>4,346</u> | <u>-</u> | <u>1,423</u> | <u>95</u> | <u>185,181</u> |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable: | | | | | |
| Prepays items | - | - | - | - | - |
| Restricted: | | | | | |
| Community development | 1,300 | - | - | - | - |
| Park development | - | 133,957 | - | - | - |
| Parking improvements | - | - | 96,154 | - | 504,339 |
| Public works and transportation | - | - | - | 288,919 | - |
| Special assessment project | - | - | - | - | - |
| Law enforcement | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total fund balances (deficits) | <u>1,300</u> | <u>133,957</u> | <u>96,154</u> | <u>288,919</u> | <u>504,339</u> |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | <u>\$ 5,646</u> | <u>\$ 133,957</u> | <u>\$ 97,577</u> | <u>\$ 289,014</u> | <u>\$ 689,520</u> |

CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)

| | Special Revenue Funds | | | | |
|---|--------------------------------|-------------------------|------------------------------------|------------------------|-------------------------|
| | Senior Citizens Services | Landscape Assessment | Supplemental Law Enforcement | Intermodal Building | Economic Development |
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ 415,689 | \$ 223,309 | \$ 59,415 | \$ 458,987 |
| Receivables: | | | | | |
| Accounts, net | - | 3,275 | - | 12,495 | - |
| Notes | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Land held for resale | - | - | - | - | - |
| | - | - | - | - | - |
| Total assets | \$ - | \$ 418,964 | \$ 223,309 | \$ 71,910 | \$ 458,987 |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ 5,754 | \$ 12,035 | \$ 4,184 | \$ (1,201) |
| Salaries payable | - | - | - | 174 | - |
| Due to other funds | - | - | - | - | - |
| Unearned revenue | - | - | - | 39,100 | - |
| Deposit payable | - | - | - | - | - |
| | - | - | - | - | - |
| Total liabilities | - | 5,754 | 12,035 | 43,458 | (1,201) |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | | | | | |
| Prepays items | - | - | - | - | - |
| Restricted: | | | | | |
| Community development | - | - | - | - | 460,188 |
| Park development | - | - | - | - | - |
| Parking improvements | - | - | - | - | - |
| Public works and transportation | - | - | - | 28,452 | - |
| Special assessment project | - | 413,210 | - | - | - |
| Law enforcement | - | - | 211,274 | - | - |
| | - | - | 211,274 | - | - |
| Total fund balances (deficits) | - | 413,210 | 211,274 | 28,452 | 460,188 |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | \$ - | \$ 418,964 | \$ 223,309 | \$ 71,910 | \$ 458,987 |

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

| | Special Revenue Funds | | | Total Nonmajor Special Revenue Funds |
|--|-----------------------|---|-------------------------------------|--|
| | Residential Rehab | Low and Moderate Income Housing Asset | Community Facilities District | |
| ASSETS | | | | |
| Cash and investments | \$ 366,917 | \$ 1,102,623 | \$ 209,256 | \$ 3,309,257 |
| Receivables: | | | | |
| Accounts, net | - | 2,580 | 1,338 | 762,341 |
| Notes | 7,996,577 | 7,064 | - | 8,003,641 |
| Prepaid items | - | 42 | - | 42 |
| Due from other funds | - | - | - | - |
| Land held for resale | - | 690,000 | - | 690,000 |
| | <u>\$ 8,363,494</u> | <u>\$ 1,802,309</u> | <u>\$ 210,594</u> | <u>\$ 12,765,281</u> |
| Total assets | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,946 | \$ 8,308 | \$ 473 | \$ 47,867 |
| Salaries payable | - | 88 | - | 262 |
| Due to other funds | - | 2,727 | - | 177,404 |
| Unearned revenue | - | - | 115,131 | 154,231 |
| Deposit payable | - | 74 | - | 74 |
| | <u>1,946</u> | <u>11,197</u> | <u>115,604</u> | <u>379,838</u> |
| Total liabilities | | | | |
| FUND BALANCES (DEFICITS) | | | | |
| Nonspendable | | | | |
| Prepays items | - | 42 | - | 42 |
| Restricted: | | | | |
| Community development | 8,361,548 | 1,791,070 | - | 10,614,106 |
| Park development | - | - | - | 133,957 |
| Parking improvements | - | - | - | 600,493 |
| Public works and transportation | - | - | - | 317,371 |
| Special assessment project | - | - | 94,990 | 508,200 |
| Law enforcement | - | - | - | 211,274 |
| | <u>8,361,548</u> | <u>1,791,112</u> | <u>94,990</u> | <u>12,385,443</u> |
| Total fund balances (deficits) | | | | |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | <u>\$ 8,363,494</u> | <u>\$ 1,802,309</u> | <u>\$ 210,594</u> | <u>\$ 12,765,281</u> |

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

| | <u>Debt Service Fund</u> | <u>Total Debt Service Projects Fund</u> | <u>Capital Projects Fund</u> | <u>Total Nonmajor Capital Projects Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|------------------------------|---|----------------------------------|---|--|
| | Park Facilities | | Streets and Roads | | |
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ - | \$ 666,368 | \$ 666,368 | \$ 3,975,625 |
| Receivables: | | | | | |
| Accounts, net | - | - | - | - | 762,341 |
| Notes | - | - | - | - | 8,003,641 |
| Prepaid items | - | - | - | - | 42 |
| Due from other funds | - | - | - | - | - |
| Land held for resale | - | - | - | - | 690,000 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>690,000</u> |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 666,368</u> | <u>\$ 666,368</u> | <u>\$ 13,431,649</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 47,867 |
| Salaries payable | - | - | - | - | 262 |
| Due to other funds | - | - | - | - | 177,404 |
| Unearned revenue | - | - | - | - | 154,231 |
| Deposit payable | - | - | - | - | 74 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>74</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>379,838</u> |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable: | | | | | |
| Prepays items | - | - | - | - | 42 |
| Restricted: | | | | | |
| Community development | - | - | - | - | 10,614,106 |
| Park development | - | - | - | - | 133,957 |
| Parking improvements | - | - | - | - | 600,493 |
| Public works and transportation | - | - | 666,368 | 666,368 | 983,739 |
| Special assessment project | - | - | - | - | 508,200 |
| Law enforcement | - | - | - | - | 211,274 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>211,274</u> |
| Total fund balances (deficits) | <u>-</u> | <u>-</u> | <u>666,368</u> | <u>666,368</u> | <u>13,051,811</u> |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 666,368</u> | <u>\$ 666,368</u> | <u>\$ 13,431,649</u> |

**CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Special Revenue Funds | | | | |
|--|-------------------------------------|---------------------|---------------------|----------------------|------------------------|
| | Business Improvement District | Park Development | Parking District | Federal Aid Urban | Street Construction |
| REVENUES: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes | 23,033 | - | 20,848 | - | - |
| Use of money and property | 8 | - | - | - | - |
| Fines | (201) | - | 10,530 | - | - |
| Intergovernmental | - | 54,314 | - | 176,725 | 689,520 |
| Charges for current services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>22,840</u> | <u>54,314</u> | <u>31,378</u> | <u>176,725</u> | <u>689,520</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 23,115 | - | 25,214 | - | - |
| Public protection | - | - | - | - | - |
| Public ways and facilities | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Capital outlay | - | - | - | 65,903 | 200,218 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>23,115</u> | <u>-</u> | <u>25,214</u> | <u>65,903</u> | <u>200,218</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(275)</u> | <u>54,314</u> | <u>6,164</u> | <u>110,822</u> | <u>489,302</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | (7,903) | - | (488,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(7,903)</u> | <u>-</u> | <u>(488,000)</u> |
| Net change in fund balances | (275) | 54,314 | (1,739) | 110,822 | 1,302 |
| Fund balances - beginning (restated) | <u>1,575</u> | <u>79,643</u> | <u>97,893</u> | <u>178,097</u> | <u>503,037</u> |
| Fund balances - ending | <u>\$ 1,300</u> | <u>\$ 133,957</u> | <u>\$ 96,154</u> | <u>\$ 288,919</u> | <u>\$ 504,339</u> |

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

| | Special Revenue Funds | | | |
|--|-------------------------|------------------------------------|------------------------|-------------------------|
| | Landscape Assessment | Supplemental Law Enforcement | Intermodal Building | Economic Development |
| REVENUES: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Other taxes | 364,639 | - | - | - |
| Use of money and property | - | (179) | 21,894 | 445 |
| Fines | - | - | - | - |
| Intergovernmental | - | 176,329 | 108,358 | - |
| Charges for current services | - | - | 12,210 | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>364,639</u> | <u>176,150</u> | <u>142,462</u> | <u>445</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | 41,371 | - |
| Public protection | - | 90,326 | - | - |
| Public ways and facilities | 430,649 | - | 41,307 | - |
| Community development | - | - | - | 1,857 |
| Capital outlay | - | - | 58,878 | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>430,649</u> | <u>90,326</u> | <u>141,556</u> | <u>1,857</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(66,010)</u> | <u>85,824</u> | <u>906</u> | <u>(1,412)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (162) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(162)</u> | <u>-</u> |
| Net change in fund balances | (66,010) | 85,824 | 744 | (1,412) |
| Fund balances - beginning (restated) | <u>479,220</u> | <u>125,450</u> | <u>27,708</u> | <u>461,600</u> |
| Fund balances - ending | <u>\$ 413,210</u> | <u>\$ 211,274</u> | <u>\$ 28,452</u> | <u>\$ 460,188</u> |

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

| | Special Revenue Funds | | | Total Nonmajor Special Revenue Funds |
|--|-----------------------|---|-------------------------------------|--|
| | Residential Rehab | Low and Moderate Income Housing Asset | Community Facilities District | |
| REVENUES: | | | | |
| Property taxes | \$ - | \$ - | \$ 358,758 | \$ 358,758 |
| Other taxes | - | - | - | 408,520 |
| Use of money and property | 346 | 9,950 | (8) | 32,456 |
| Fines | - | - | - | 10,329 |
| Intergovernmental | 238,605 | - | - | 1,443,851 |
| Charges for current services | 140,597 | - | - | 152,807 |
| Miscellaneous | <u>62,302</u> | <u>228,246</u> | <u>-</u> | <u>290,548</u> |
| Total revenues | <u>441,850</u> | <u>238,196</u> | <u>358,750</u> | <u>2,697,269</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | 6,311 | 96,011 |
| Public protection | - | - | - | 90,326 |
| Public ways and facilities | - | - | 1,663 | 473,619 |
| Community development | 589,733 | 69,753 | - | 661,343 |
| Capital outlay | - | 5,113 | - | 330,112 |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>589,733</u> | <u>74,866</u> | <u>7,974</u> | <u>1,651,411</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(147,883)</u> | <u>163,330</u> | <u>350,776</u> | <u>1,045,858</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>(527,660)</u> | <u>(1,023,725)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(527,660)</u> | <u>(1,023,725)</u> |
| Net change in fund balances | (147,883) | 163,330 | (176,884) | 22,133 |
| Fund balances - beginning (restated) | <u>8,509,431</u> | <u>1,627,782</u> | <u>271,874</u> | <u>12,363,310</u> |
| Fund balances - ending | <u>\$ 8,361,548</u> | <u>\$ 1,791,112</u> | <u>\$ 94,990</u> | <u>\$ 12,385,443</u> |

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

| | <u>Debt Service Fund</u> | <u>Total Debt Service Projects Fund</u> | <u>Capital Projects Fund</u> | <u>Total Nonmajor Capital Projects Fund</u> | <u>Total Nonmajor Funds</u> |
|--|------------------------------|---|----------------------------------|---|-------------------------------------|
| | Park Facilities | | Streets and Roads | | |
| REVENUES: | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ 358,758 |
| Other taxes | - | - | - | - | 408,520 |
| Use of money and property | - | - | - | - | 32,456 |
| Fines | - | - | - | - | 10,329 |
| Intergovernmental | - | - | - | - | 1,443,851 |
| Charges for current services | - | - | - | - | 152,807 |
| Miscellaneous | - | - | - | - | 290,548 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | - | - | - | - | 2,697,269 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | 96,011 |
| Public protection | - | - | - | - | 90,326 |
| Public ways and facilities | - | - | - | - | 473,619 |
| Community development | - | - | - | - | 661,343 |
| Capital outlay | - | - | 15,936 | 15,936 | 346,048 |
| Debt service: | | | | | |
| Principal | 176,026 | 176,026 | - | - | 176,026 |
| Interest | 18,231 | 18,231 | - | - | 18,231 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 194,257 | 194,257 | 15,936 | 15,936 | 1,861,604 |
| Excess (deficiency) of revenues over (under) expenditures | <u>(194,257)</u> | <u>(194,257)</u> | <u>(15,936)</u> | <u>(15,936)</u> | <u>835,665</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 194,257 | 194,257 | 682,304 | 682,304 | 876,561 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,023,725)</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 194,257 | 194,257 | 682,304 | 682,304 | (147,164) |
| Net change in fund balances | - | - | 666,368 | 666,368 | 688,501 |
| Fund balances - beginning (restated) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,363,310</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 666,368</u> | <u>\$ 666,368</u> | <u>\$ 13,051,811</u> |

**CITY OF MADERA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2018**

| | Business-Type Activities | | | Total Nonmajor Enterprise Funds |
|--|--------------------------|------------------------|----------------------|--|
| | Local Transit Fund | Golf Course Fund | Airport Fund | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ - | \$ - | \$ 899,152 | \$ 899,152 |
| Accounts receivable, net | 821,649 | 58,588 | 346,123 | 1,226,360 |
| Prepaid expenses | 877 | - | - | 877 |
| Total current assets | <u>822,526</u> | <u>58,588</u> | <u>1,245,275</u> | <u>2,126,389</u> |
| Noncurrent assets: | | | | |
| Capital assets, not depreciated | 1,836,457 | 146,933 | 3,204,012 | 5,187,402 |
| Capital assets, net of accumulated depreciation | 1,184,934 | 1,881,928 | 8,720,734 | 11,787,596 |
| Total noncurrent assets | <u>3,021,391</u> | <u>2,028,861</u> | <u>11,924,746</u> | <u>16,974,998</u> |
| Total assets | <u>3,843,917</u> | <u>2,087,449</u> | <u>13,170,021</u> | <u>19,101,387</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources related to pensions | 124,994 | - | 56,418 | 181,412 |
| Total deferred outflows of resources | <u>124,994</u> | <u>-</u> | <u>56,418</u> | <u>181,412</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 209,002 | 2,208 | 29,454 | 240,664 |
| Salaries payable | 6,815 | - | 2,329 | 9,144 |
| Accrued interest payable | - | 8,754 | 4,944 | 13,698 |
| Due to other funds | 595,052 | 402,763 | - | 997,815 |
| Advances from other funds | - | 134,641 | - | 134,641 |
| Compensated absences, due within one year | 21,234 | - | 7,699 | 28,933 |
| Long-term debt, due within one year | - | 278,400 | 22,547 | 300,947 |
| Total current liabilities | <u>832,103</u> | <u>826,766</u> | <u>66,973</u> | <u>1,725,842</u> |
| Noncurrent liabilities: | | | | |
| Net pension liability | 443,860 | - | 199,339 | 643,199 |
| Long-term debt, due in more than one year | - | 1,368,100 | 101,500 | 1,469,600 |
| Total noncurrent liabilities | <u>443,860</u> | <u>1,368,100</u> | <u>300,839</u> | <u>2,112,799</u> |
| Total liabilities | <u>1,275,963</u> | <u>2,194,866</u> | <u>367,812</u> | <u>3,838,641</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources related to pensions | 1,388 | - | 676 | 2,064 |
| Deferred service concession arrangement receipts | - | 50,000 | - | 50,000 |
| Total deferred inflows of resources | <u>1,388</u> | <u>50,000</u> | <u>676</u> | <u>52,064</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 3,021,391 | 382,361 | 11,800,699 | 15,204,451 |
| Unrestricted | (329,831) | (539,778) | 1,057,252 | 187,643 |
| Total net position | <u>\$ 2,691,560</u> | <u>\$ (157,417)</u> | <u>\$ 12,857,951</u> | <u>\$ 15,392,094</u> |

**CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Business-Type Activities | | | Total Nonmajor Enterprise Funds |
|---|--------------------------|------------------------|----------------------|--|
| | Local Transit Fund | Golf Course Fund | Airport Fund | |
| Operating revenues: | | | | |
| Charges for services | \$ 119,063 | \$ 100,469 | \$ 560,620 | \$ 780,152 |
| Other | 448 | - | - | 448 |
| Total operating revenues | <u>119,511</u> | <u>100,469</u> | <u>560,620</u> | <u>780,600</u> |
| Operating expenses: | | | | |
| Salaries and benefits | 338,680 | - | 141,157 | 479,837 |
| General and administrative | 1,082,243 | 64,083 | 191,515 | 1,337,841 |
| Supplies and miscellaneous | 504,045 | - | 146,019 | 650,064 |
| Parts and supplies | - | 35,135 | 329,664 | 364,799 |
| Utilities | - | - | 37,143 | 37,143 |
| Depreciation | 241,325 | - | 298,717 | 540,042 |
| Total operating expenses | <u>2,166,293</u> | <u>99,218</u> | <u>1,144,215</u> | <u>3,409,726</u> |
| Operating income (loss) | <u>(2,046,782)</u> | <u>1,251</u> | <u>(583,595)</u> | <u>(2,629,126)</u> |
| Nonoperating revenues (expenses): | | | | |
| Investment income | 2,116 | 592 | 651 | 3,359 |
| Property taxes | - | - | 97,053 | 97,053 |
| Operating grants | 1,383,125 | - | - | 1,383,125 |
| Capital grants | 618,289 | - | 477,412 | 1,095,701 |
| Interest expense | - | (36,014) | (11,062) | (47,076) |
| Other nonoperating expense | - | (63,780) | - | (63,780) |
| Total nonoperating revenues (expenses) | <u>2,003,530</u> | <u>(99,202)</u> | <u>564,054</u> | <u>2,468,382</u> |
| Income (loss) before capital contributions and transfers | <u>(43,252)</u> | <u>(97,951)</u> | <u>(19,541)</u> | <u>(160,744)</u> |
| Capital contributions | 143,171 | - | - | 143,171 |
| Transfers in | - | 247,083 | - | 247,083 |
| Transfers out | (61,338) | - | (3,294) | (64,632) |
| Change in net position | 38,581 | 149,132 | (22,835) | 164,878 |
| Net position - beginning (restated) | <u>2,652,979</u> | <u>(306,549)</u> | <u>12,880,786</u> | <u>15,227,216</u> |
| Net position - ending | <u>\$ 2,691,560</u> | <u>\$ (157,417)</u> | <u>\$ 12,857,951</u> | <u>\$ 15,392,094</u> |

CITY OF MADERA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

| | Business-Type Activities | | | Total Nonmajor Enterprise Funds |
|--|--------------------------|------------------------|-------------------|--|
| | Local Transit Fund | Golf Course Fund | Airport Fund | |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 119,063 | \$ 100,693 | \$ 298,475 | \$ 518,231 |
| Payments to suppliers | (1,553,536) | (101,009) | (761,512) | (2,416,057) |
| Payments to employees | (275,264) | - | (155,405) | (430,669) |
| Receipts from other operating activities | 448 | - | - | 448 |
| Net cash provided (used) by operating activities | <u>(1,709,289)</u> | <u>(316)</u> | <u>(618,442)</u> | <u>(2,328,047)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Transfers from (to) other funds | (61,338) | 247,083 | (3,294) | 182,451 |
| Loans from (to) other funds | 289,830 | 66,534 | - | 356,364 |
| Property taxes | - | - | 97,053 | 97,053 |
| Operating grants | 1,096,400 | - | - | 1,096,400 |
| Other nonoperating revenues | - | (63,780) | - | (63,780) |
| Net cash provided (used) by noncapital financing activities | <u>1,324,892</u> | <u>249,837</u> | <u>93,759</u> | <u>1,668,488</u> |
| Cash flows from capital and related financing activities: | | | | |
| Capital grants | 618,289 | - | 477,412 | 1,095,701 |
| Acquisition and construction of capital assets | (239,531) | - | (5,001) | (244,532) |
| Proceeds from issuance of bonds | - | 1,657,100 | - | 1,657,100 |
| Principal paid on long-term debt | - | (2,185,600) | (21,518) | (2,207,118) |
| Interest paid | - | (30,293) | (11,920) | (42,213) |
| Net cash provided (used) by capital and related financing activities | <u>378,758</u> | <u>(558,793)</u> | <u>438,973</u> | <u>258,938</u> |
| Cash flows from investing activities: | | | | |
| Investment income | 2,116 | 592 | 651 | 3,359 |
| Net cash provided (used) by investing activities | <u>2,116</u> | <u>592</u> | <u>651</u> | <u>3,359</u> |
| Net increase (decrease) in cash and cash equivalents | (3,523) | (308,680) | (85,059) | (397,262) |
| Cash and cash equivalents - beginning | <u>3,523</u> | <u>308,680</u> | <u>984,211</u> | <u>1,296,414</u> |
| Cash and cash equivalents - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 899,152</u> | <u>\$ 899,152</u> |

**CITY OF MADERA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Business-Type Activities | | | Total Nonmajor Enterprise Funds |
|---|--------------------------|------------------------|---------------------|--|
| | Local Transit Fund | Golf Course Fund | Airport Fund | |
| Reconciliation of operating income (loss) to cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (2,046,782) | \$ 1,251 | \$ (583,595) | \$ (2,629,126) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 241,325 | - | 298,717 | 540,042 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | | | |
| (Increase) decrease in accounts receivable | - | 40,224 | (262,145) | (221,921) |
| (Increase) decrease in prepaid expense | (877) | - | - | (877) |
| (Increase) decrease in deferred outflows of resources from pensions | (37,613) | - | (3,480) | (41,093) |
| Increase (decrease) in accounts payable | 33,629 | (1,791) | (57,171) | (25,333) |
| Increase (decrease) in salaries payable | 224 | - | (1,837) | (1,613) |
| Increase (decrease) in net pension liability | 107,124 | - | (4,664) | 102,460 |
| Increase (decrease) in compensated absences | 616 | - | (889) | (273) |
| Increase (decrease) in deferred inflows of resources from pensions | (6,935) | - | (3,378) | (10,313) |
| Increase (decrease) in service concession arrangement | - | (40,000) | - | (40,000) |
| Net cash provided (used) by operating activities | <u>\$ (1,709,289)</u> | <u>\$ (316)</u> | <u>\$ (618,442)</u> | <u>\$ (2,328,047)</u> |
| Reconciliation of cash and cash equivalents to the Statement of Net Position: | | | | |
| Cash and investments - unrestricted | \$ - | \$ - | \$ 899,152 | \$ 899,152 |
| Total cash and investments | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 899,152</u> | <u>\$ 899,152</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Developer and other capital contributions | <u>\$ 143,171</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 143,171</u> |

**CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Balance June 30, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|--------------------------|----------------------|----------------------|--------------------------|
| <u>Payroll Tax/Withholding Trust</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 346,808 | \$ 29,060,041 | \$ 29,523,447 | \$ (116,598) |
| Accounts receivable, net | 26 | 1,242 | 221 | 1,047 |
| Prepaid items | - | 252,315 | - | 252,315 |
| Total assets | <u>\$ 346,834</u> | <u>\$ 29,313,598</u> | <u>\$ 29,523,668</u> | <u>\$ 136,764</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 51,914 | \$ 7,631,970 | \$ 7,661,956 | \$ 21,928 |
| Accrued liabilities | 294,920 | 79,488,932 | 79,669,016 | 114,836 |
| Total liabilities | <u>\$ 346,834</u> | <u>\$ 87,120,902</u> | <u>\$ 87,330,972</u> | <u>\$ 136,764</u> |
| <u>General Trust Fund</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 817,581 | \$ 468,007 | \$ 251,893 | \$ 1,033,695 |
| Total assets | <u>\$ 817,581</u> | <u>\$ 468,007</u> | <u>\$ 251,893</u> | <u>\$ 1,033,695</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ (19,149) | \$ 306,251 | \$ 281,691 | \$ 5,411 |
| Deposit payable | 12,048 | 25,940 | 22,990 | 14,998 |
| Due to other governments | 824,682 | 697,324 | 508,719 | 1,013,287 |
| Total liabilities | <u>\$ 817,581</u> | <u>\$ 1,029,515</u> | <u>\$ 813,400</u> | <u>\$ 1,033,696</u> |
| <u>Community Facilities Districts</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 308,539 | \$ 382,517 | \$ 369,104 | \$ 321,952 |
| Accounts receivable, net | 1,688 | 1,845 | 2,265 | 1,268 |
| Restricted cash and investments with fiscal agents | 261,744 | 5,634,285 | 5,848,643 | 47,386 |
| Prepaid items | - | 825 | - | 825 |
| Total assets | <u>\$ 571,971</u> | <u>\$ 6,019,472</u> | <u>\$ 6,220,012</u> | <u>\$ 371,431</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 35 | \$ 11,102 | \$ 10,799 | \$ 338 |
| Due to bondholders | 571,936 | 3,657,646 | 3,858,490 | 371,092 |
| Total liabilities | <u>\$ 571,971</u> | <u>\$ 3,668,748</u> | <u>\$ 3,869,289</u> | <u>\$ 371,430</u> |

CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

| | Balance June 30, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|--------------------------|----------------------|----------------------|--------------------------|
| <u>Total - All Agency Funds</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,472,928 | \$ 29,910,565 | \$ 30,144,444 | \$ 1,239,049 |
| Accounts receivable, net | 1,714 | 3,087 | 2,486 | 2,315 |
| Prepaid items | - | 253,140 | - | 253,140 |
| Restricted cash and investments with fiscal agents | <u>261,744</u> | <u>5,634,285</u> | <u>5,848,643</u> | <u>47,386</u> |
| Total assets | <u>\$ 1,736,386</u> | <u>\$ 35,801,077</u> | <u>\$ 35,995,573</u> | <u>\$ 1,541,890</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 32,800 | \$ 7,949,323 | \$ 7,954,446 | \$ 27,677 |
| Accrued liabilities | 294,920 | 79,488,932 | 79,669,016 | 114,836 |
| Deposit payable | 12,048 | 25,940 | 22,990 | 14,998 |
| Due to other governments | 824,682 | 697,324 | 508,719 | 1,013,287 |
| Due to bondholders | <u>571,936</u> | <u>3,657,646</u> | <u>3,858,490</u> | <u>371,092</u> |
| Total liabilities | <u>\$ 1,736,386</u> | <u>\$ 91,819,165</u> | <u>\$ 92,013,661</u> | <u>\$ 1,541,890</u> |