

CITY OF WOODLAKE

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF WOODLAKE
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017
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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Woodlake, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Woodlake'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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, 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.

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

Other Information

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

The combining fund financial statements is the responsibility of management and was 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 fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018, on our consideration of the City of Woodlake, 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 solely 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 City of Woodlake, California's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 8, 2018

BASIC FINANCIAL STATEMENTS

CITY OF WOODLAKE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments			
Unrestricted	\$ 1,929,349	\$ 5,854,041	\$ 7,783,390
Restricted	-	324,670	324,670
Receivables:			
Accounts	82,300	278,485	360,785
Taxes	33,094	-	33,094
Intergovernmental	506,388	270,906	777,294
Internal balances	101,017	(101,017)	-
Loans receivable	9,751,031	-	9,751,031
Intragovernmental receivable	45,472	-	45,472
Land held for resale	168,923	-	168,923
Capital assets:			
Non-depreciable	1,857,157	5,279,486	7,136,643
Depreciable, net of accumulated depreciation	15,990,589	22,335,129	38,325,718
Total assets	<u>30,465,320</u>	<u>34,241,700</u>	<u>64,707,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	559,791	262,810	822,601
Unamortized loss on bonds	-	51,062	51,062
Total deferred outflows of resources	<u>559,791</u>	<u>313,872</u>	<u>873,663</u>
LIABILITIES			
Accounts payable and other accruals	294,498	413,623	708,121
Interest payable	-	188,125	188,125
Unearned revenue	-	2,300	2,300
Noncurrent liabilities:			
Compensated absences	70,009	67,213	137,222
Due in one year	100,000	311,224	411,224
Due in more than one year	175,000	15,770,357	15,945,357
Net pension liability	1,460,414	963,048	2,423,462
Total liabilities	<u>2,099,921</u>	<u>17,715,890</u>	<u>19,815,811</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	120,099	64,048	184,147
NET POSITION			
Net investment in capital assets	17,847,746	11,584,096	29,431,842
Restricted for:			
Special revenues	1,339,406	-	1,339,406
Debt service	-	324,670	324,670
Capital projects	98,922	-	98,922
Unrestricted	9,519,017	4,866,868	14,385,885
Total net position	<u>\$ 28,805,091</u>	<u>\$ 16,775,634</u>	<u>\$ 45,580,725</u>

CITY OF WOODLAKE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 421,569	\$ 33,406	\$ -	\$ -	\$ (388,163)		\$ (388,163)
Community development	201,773	9,505	-	384,483	192,215		192,215
Public safety	1,374,739	879,605	146,953	-	(348,181)		(348,181)
Public works	543,810	52,003	214,545	2,411,925	2,134,663		2,134,663
Parks and recreation	115,426	-	-	-	(115,426)		(115,426)
Refuse services	634,953	699,917	-	-	64,964		64,964
Total governmental activities	3,292,270	1,674,436	361,498	2,796,408	1,540,072		1,540,072
Business-type Activities:							
Water	791,414	930,491	-	608,093	-	747,170	747,170
Sewer	1,702,852	1,792,360	-	137,186	-	226,694	226,694
Airport	157,578	18,471	10,000	114,660	-	(14,447)	(14,447)
Transit	162,711	16,638	153,570	-	-	7,497	7,497
Total business-type activities	2,814,555	2,757,960	163,570	859,939	-	966,914	966,914
Total	\$ 6,106,825	\$ 4,432,396	\$ 525,068	\$ 3,656,347	1,540,072	966,914	2,506,986
General revenues:							
Property taxes					277,855	-	277,855
Utility users tax					341,422	-	341,422
Sales tax					402,790	-	402,790
Franchise tax					15,135	-	15,135
Other taxes					13,205	-	13,205
Investment earnings					11,410	29,637	41,047
Rental Income					-	43,504	43,504
Gain on sale of capital assets					29,303	-	29,303
Miscellaneous					257,496	-	257,496
Transfers					173,033	(173,033)	-
Total general revenues and transfers					1,521,649	(99,892)	1,421,757
Change in net assets					3,061,721	867,022	3,928,743
Net position, July 1					25,743,370	15,908,612	41,651,982
Net position, June 30					\$ 28,805,091	\$ 16,775,634	\$ 45,580,725

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

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

	General	Special Revenue			Other Nonmajor Governmental Funds	Total Governmental Funds
		Community Development Fund	Gas Tax	Measure R		
ASSETS						
Cash and investments	\$ 912,791	\$ 337,170	\$ 179,451	\$ -	\$ 499,937	\$ 1,929,349
Receivables:						
Accounts	82,300	-	-	-	-	82,300
Taxes	32,697	-	-	-	397	33,094
Intergovernmental	-	-	-	37,124	469,264	506,388
Interest	-	-	-	-	-	-
Land held for resale	168,923	-	-	-	-	168,923
Due from other funds	101,017	85,212	86,543	-	-	272,772
Loans receivable	58,116	9,692,915	-	-	-	9,751,031
Advances to other funds	45,472	-	-	-	-	45,472
Total assets	<u>\$ 1,401,316</u>	<u>\$ 10,115,297</u>	<u>\$ 265,994</u>	<u>\$ 37,124</u>	<u>\$ 969,598</u>	<u>\$ 12,789,329</u>
LIABILITIES						
Accounts payables and other accruals	\$ 209,483	\$ -	\$ 1,377	\$ 5,424	\$ 78,214	\$ 294,498
Due to other funds	-	-	-	31,700	140,055	171,755
Total liabilities	<u>209,483</u>	<u>-</u>	<u>1,377</u>	<u>37,124</u>	<u>218,269</u>	<u>466,253</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred housing loans	-	9,692,915	-	-	-	9,692,915
Total deferred inflows of resources	<u>-</u>	<u>9,692,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,692,915</u>
FUND BALANCES						
Nonspendable fund balances:						
Land held for resale	168,923	-	-	-	-	168,923
Advances	45,472	-	-	-	-	45,472
Restricted for forfeiture	158,859	-	-	-	-	158,859
Assigned fund balances:						
Special revenue funds	-	422,382	264,617	-	652,407	1,339,406
Capital projects	-	-	-	-	98,922	98,922
Unassigned, general fund	818,579	-	-	-	-	818,579
Total fund balances	<u>1,191,833</u>	<u>422,382</u>	<u>264,617</u>	<u>-</u>	<u>751,329</u>	<u>2,630,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,401,316</u>	<u>\$ 10,115,297</u>	<u>\$ 265,994</u>	<u>\$ 37,124</u>	<u>\$ 969,598</u>	<u>\$ 12,789,329</u>

**CITY OF WOODLAKE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances-governmental funds	\$ 2,630,161
 Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the funds.	17,847,746
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.	9,692,915
Deferred inflows of resources and deferred outflows of resources:	
Deferred outflows of resources are not current assets of financial resources; and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds:	
Deferred pension outflows of resources	494,061
Deferred pension inflows of resources	(54,369)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet:	
Net pension liability	(1,460,414)
Judgement payable	(275,000)
Compensated absences	(70,009)
	(1,755,423)
Net position of governmental activities	\$ 28,805,091

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

	Special Revenue				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Community Development Fund	Gas Tax	Measure R		
REVENUES						
Property taxes	\$ 277,855	\$ -	\$ -	\$ -	\$ -	\$ 277,855
Utility users tax	341,422	-	-	-	-	341,422
Sales tax	402,790	-	-	-	-	402,790
Other taxes	28,340	-	-	-	-	28,340
Licenses and permits	123,089	-	-	-	11,010	134,099
Charges for services	787,368	-	-	-	-	787,368
Intergovernmental revenues	709,487	-	787,918	1,461,941	913,576	3,872,922
Fines and forfeitures	28,448	-	-	-	-	28,448
Repayment of loans	-	210,601	-	-	3,157	213,758
Use of money and property	9,217	1,288	285	-	620	11,410
Miscellaneous revenues	257,496	-	-	-	-	257,496
Total revenues	2,965,512	211,889	788,203	1,461,941	928,363	6,355,908
EXPENDITURES						
Current:						
General government	437,336	-	-	-	-	437,336
Community development	-	7,634	-	-	384,483	392,117
Public safety	1,143,799	-	-	-	99,600	1,243,399
Public works	342,270	-	-	-	38,581	380,851
Parks and recreation	88,855	-	-	-	-	88,855
Refuse services	654,240	-	-	-	-	654,240
Capital outlay:						
Community development	91,032	-	-	-	-	91,032
Public works	-	20,568	483,996	1,461,941	74,658	2,041,163
Parks and recreation	231,901	-	-	-	-	231,901
Total expenditures	2,989,433	28,202	483,996	1,461,941	597,322	5,560,894
Excess (deficiency) of revenues over (under) expenditures	(23,921)	183,687	304,207	-	331,041	795,014
OTHER FINANCING SOURCES (USES)						
Transfers in	306,988	-	-	-	199,343	506,331
Transfers out	-	-	(238,619)	-	(94,679)	(333,298)
Proceeds from sale of capital assets	29,303	-	-	-	-	29,303
Total other financing sources and uses	336,291	-	(238,619)	-	104,664	202,336
Net change in fund balances	312,370	183,687	65,588	-	435,705	997,350
Fund balances, July 1	879,463	238,695	199,029	-	315,624	1,632,811
Fund balances, June 30	\$ 1,191,833	\$ 422,382	\$ 264,617	\$ -	\$ 751,329	\$ 2,630,161

**CITY OF WOODLAKE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$	997,350
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded.		2,393,424
Depreciation expense on capital assets is reported in the government-wide statement of changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.		(303,569)
Community loans are reported in the governmental funds as expenditures and are not in the statement of activities. This is the amount of community loans given.		167,726
This is the amount of community loans deemed uncollectible.		(3,948)
Revenues in the governmental funds that were recognized as revenue in the previous periods in the statement of activities. This is the amount of loan payments and adjustments.		(204,253)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		19,629
Certain expenses in the statement of activities are recognized on the accrual basis of accounting for special items when the amount is determinable and owed by the government.		(275,000)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.		
Deferred outflows		378,327
Deferred inflows		187,050
Net pension liabilities		<u>(295,015)</u>
Change in net position - governmental activities	\$	<u><u>3,061,721</u></u>

**CITY OF WOODLAKE
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2017**

	Water	Sewer	Nonmajor		Total
			Airport Fund	TDA Transit	
ASSETS					
Current assets:					
Cash and investments	\$ 754,838	\$ 5,099,203	\$ -	\$ -	\$ 5,854,041
Receivables, net:					
Accounts	99,540	176,775	2,170	-	278,485
Intergovernmental	-	-	30,336	240,570	270,906
Noncurrent assets:					
Restricted cash	149,670	175,000	-	-	324,670
Capital assets:					
Nondepreciable	4,372,067	832,419	-	75,000	5,279,486
Depreciable, net	2,631,939	18,880,642	42,195	780,353	22,335,129
Total assets	8,008,054	25,164,039	74,701	1,095,923	34,342,717
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pensions	101,895	140,254	-	20,661	262,810
Unamortized loss on bonds	16,000	35,062	-	-	51,062
Total deferred outflows of resources	117,895	175,316	-	20,661	313,872
LIABILITIES					
Current liabilities:					
Accounts payable	260,276	44,108	128	4,703	309,215
Utility deposits	44,436	59,972	-	-	104,408
Interest payable	53,967	134,158	-	-	188,125
Due to other funds	-	-	84,409	16,608	101,017
Unearned revenue	-	-	2,300	-	2,300
Noncurrent liabilities:					
Compensated absences	25,253	29,510	-	12,450	67,213
Due in one year	50,500	260,724	-	-	311,224
Due in more than one year	4,089,161	11,681,196	-	-	15,770,357
Net pension liability	373,388	513,951	-	75,709	963,048
Total liabilities	4,896,981	12,723,619	86,837	109,470	17,816,907
DEFERRED INFLOWS OF RESOURCES					
Deferred pensions	24,832	34,181	-	5,035	64,048
NET POSITION					
Net investment in capital assets	2,880,345	7,806,203	42,195	855,353	11,584,096
Restricted for debt service	149,670	175,000	-	-	324,670
Unrestricted	174,121	4,600,352	(54,331)	146,726	4,866,868
Total net position (deficit)	\$ 3,204,136	\$ 12,581,555	\$ (12,136)	\$ 1,002,079	\$ 16,775,634

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

	Water	Sewer	Nonmajor		Total
			Airport Fund	TDA Transit	
OPERATING REVENUES					
Charges for services	\$ 920,486	\$ 1,769,859	\$ 18,471	\$ 16,638	\$ 2,725,454
OPERATING EXPENSES					
Personnel Services	359,620	491,054	-	72,340	923,014
Contractual services	46,786	167,525	127,635	7,429	349,375
Repairs and maintenance	11,470	13,099	-	13,013	37,582
Utilities	71,010	67,179	1,199	938	140,326
Other services and supplies	68,425	120,882	26,400	5,764	221,471
Amortization	500	1,063	-	-	1,563
Depreciation	116,051	559,737	2,344	63,227	741,359
Total operating expenses	673,862	1,420,539	157,578	162,711	2,414,690
Operating income (loss)	246,624	349,320	(139,107)	(146,073)	310,764
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,622	23,812	-	203	29,637
Rental income	-	-	43,504	-	43,504
Impact fees	10,005	22,501	-	-	32,506
Revenue from other agencies	608,093	137,186	124,660	153,570	1,023,509
Interest expense	(117,552)	(282,313)	-	-	(399,865)
Total nonoperating revenues	506,168	(98,814)	168,164	153,773	729,291
Income before transfers	752,792	250,506	29,057	7,700	1,040,055
Transfers out	(58,370)	(91,999)	-	(22,664)	(173,033)
Change in net position	694,422	158,507	29,057	(14,964)	867,022
Net position (deficit), July 1	2,509,714	12,423,048	(41,193)	1,017,043	15,908,612
Net position (deficit), June 30	\$ 3,204,136	\$ 12,581,555	\$ (12,136)	\$ 1,002,079	\$ 16,775,634

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

	Water	Sewer	Nonmajor		Total
			Airport Fund	TDA Transit	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 909,139	\$ 1,788,459	\$ 18,386	\$ 16,638	\$ 2,732,622
Cash receipts (payments), vendors for goods or services	(77,377)	(369,966)	(155,236)	(29,780)	(632,359)
Cash receipts (payments), employees for, services including withholding of taxes and other items	(365,120)	(478,014)	-	(85,970)	(929,104)
Net cash provided by (used) operating activities	<u>466,642</u>	<u>940,479</u>	<u>(136,850)</u>	<u>(99,112)</u>	<u>1,171,159</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Revenue from other agencies	608,093	137,186	94,324	184,618	1,024,221
Transfers in (out)	(58,370)	(91,999)	-	(22,664)	(173,033)
Due to (from)	-	1,189,286	(233)	(63,045)	1,126,008
Proceeds from operating lease	-	-	42,759	-	42,759
Net cash provided by noncapital financing	<u>549,723</u>	<u>1,234,473</u>	<u>136,850</u>	<u>98,909</u>	<u>2,019,955</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Principal paid on capital debt service	19,442	(254,104)	-	-	(234,662)
Interest paid on capital debt service	(97,702)	(286,216)	-	-	(383,918)
Impact fees	10,005	22,501	-	-	32,506
Acquire, construct or improve capital assets	(1,759,152)	(475,428)	-	-	(2,234,580)
Net cash (used) by capital and related financing activities	<u>(1,827,407)</u>	<u>(993,247)</u>	<u>-</u>	<u>-</u>	<u>(2,820,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Gain (loss) on investments	-	-	-	-	-
Investment earnings	5,622	23,812	-	203	29,637
Net cash provided by investing activities	<u>5,622</u>	<u>23,812</u>	<u>-</u>	<u>203</u>	<u>29,637</u>
Net Increase (decrease) in cash and cash equivalents	(805,420)	1,205,517	-	-	400,097
Cash and Investments, July 1, 2016	<u>1,709,928</u>	<u>4,068,686</u>	<u>-</u>	<u>-</u>	<u>5,778,614</u>
Cash and investments, June 30, 2017	<u>\$ 904,508</u>	<u>\$ 5,274,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,178,711</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 246,624	\$ 349,320	\$ (139,107)	\$ (146,073)	\$ 310,764
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation & amortization	116,551	560,800	2,344	63,227	742,922
Changes in assets, deferred outflows/inflows and liabilities:					
(Increase) decrease in accounts receivable	(14,866)	11,953	(85)	-	(2,998)
(Increase) decrease in deferred outflows	(68,181)	(95,462)	-	(12,440)	(176,083)
Increase (decrease) in accounts payable	120,314	(1,281)	(2)	(2,636)	116,395
Increase (decrease) in deferred inflows	(25,910)	(31,634)	-	(7,338)	(64,882)
Increase (decrease) in compensated absences	545	(3,718)	-	19	(3,154)
Increase (decrease) in utility deposits	3,519	6,647	-	-	10,166
Increase (decrease) in net pension liabilities	88,046	143,854	-	6,129	238,029
Net cash provided (used) by operating activities	<u>\$ 466,642</u>	<u>\$ 940,479</u>	<u>\$ (136,850)</u>	<u>\$ (99,112)</u>	<u>\$ 1,171,159</u>

**CITY OF WOODLAKE
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2017**

	<u>Private-purpose Trust Fund</u>	<u>Woodlake Fire Protection District</u>
ASSETS		
Cash and investments	\$ 224,678	\$ 203,880
Accounts receivable	39,422	640
Land held for resale	-	-
Capital assets:		
Land	605,409	-
Improvements other than land	855,968	-
Less accumulated depreciation	<u>(205,451)</u>	<u>-</u>
 Total Assets	 <u>1,520,026</u>	 <u>\$ 204,520</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	<u>1,852</u>	
LIABILITIES		
Accounts payable	45	\$ 50,354
Due to external investment pool participants	-	154,166
Intergovernmental payable	45,472	-
Interest payable	6,977	-
Bond payable	338,300	-
Net pension liability	<u>6,784</u>	<u>-</u>
 Total Liabilities	 <u>397,578</u>	 <u>\$ 204,520</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	<u>451</u>	
NET POSITION		
Net position held in trust	<u>\$ 1,123,849</u>	

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

	Private-purpose Trust Fund
ADDITIONS	
Contributions - Redevelopment Property Tax Trust Fund	\$ 114,425
Interest revenue	646
Total Additions	115,071
 DEDUCTIONS	
Administrative expenses	13,155
Loss on sale of capital assets	45,114
Depreciation expense	21,399
Debt redemption, interest	13,954
Total Deductions	93,622
 Change in net position	 21,449
Net position held in trust - beginning	1,102,400
Net position held in trust - ending	\$ 1,123,849

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Woodlake (the City) was incorporated in 1941 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general administrative services, community development, public safety (police), public works, parks, refuse, water, sewer, and transit.

The accompanying basic financial statements include the financial activities of the City, the primary government. Financial information for the City is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members serve as the governing board of the City.

The Redevelopment Agency of the City of Woodlake (the Agency) was established March 9, 1993, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law" and on November 7, 1995, the City Council became the governing board. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of the blighted areas within the territorial limits of the City. Under Assembly Bill 1X26, the Redevelopment Agency of the City of Woodlake was dissolved and all its assets, liabilities and obligations were transferred to the Successor Agency on February 1, 2012.

The Successor Agency of the City of Woodlake (Successor Agency) was established January 12, 2012, and elected to serve as the Successor Agency. It is responsible for winding down the affairs of the redevelopment agency including disposing of its assets. The Successor Agency operates under the control of an Oversight Board, which serves in its fiduciary capacity and has authority over the operations and the timely dissolution of the former redevelopment agency.

The Woodlake Housing Fund was formed on February 1, 2012, it assumed all housing assets and functions previously performed by the redevelopment agency, including all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the former redevelopment agency.

The Woodlake Public Financing Authority (the Authority) was established as a joint powers authority between the City and the Agency on August 27, 2007, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in order that such Authority may exercise the powers authorized under the Marks-Roes Local Bond Pooling Act of 1985 (Government Code Section 6584 et seq.) and, in addition, exercise such powers in connection with future financing undertaken by the City or the Agency.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds and related debt activity associated with the Authority have been included in the business-type activities of the Water Fund in the financial statements because its purpose is to finance the water system improvement project to be owned by the City and other future enterprise fund improvement projects to be owned by the City.

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 units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles.

B. Basis of Accounting / Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the city are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Community Development Fund** is used to account for the CDBG and HOME loan repayment revenue and program income money.

The **Gas Tax Fund** is used for the accounting of revenues collected through an excise tax on the sale of fuel that is intended for transportation. The fuel tax receipts are dedicated for transportation projects. The tax is being used to leverage current and future downtown transportation projects and assist in the maintenance of our current transportation infrastructure.

The **Measure R Fund** is used for the accounting of revenues collected through Measure R and other local transportation funding sources. The revenues from the fund are used to fund downtown, transportation and mitigation projects. Measure R is a local sales tax for transportation projects.

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Enterprise Fund Financial Statements

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

The City reports the following major enterprise fund types:

The **Water Fund** accounts for financial activity of the water utility system.

The **Sewer Fund** is used to account for the financial activity of the sewage collection and wastewater treatment utility system.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the enterprise funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

The City's fiduciary funds represent:

An agency fund, which is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, and a private purpose trust fund, which is used to record the assets, liabilities and activities of the Redevelopment Successor Agency.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The City reports the following agency and special purpose trust funds:

The **Woodlake Fire Protection District Agency Fund** accounts for receipts and expenditures made on behalf of the Woodlake Fire District.

The **Successor Agency Fund** is responsible for the wind down of the affairs of the dissolved Redevelopment Agency of the City of Woodlake.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools. Information regarding the amount of dollars invested in derivatives, if any, with LAIF was not available.

Fair Value Measurement

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Observable inputs, other than Level 1 prices, for asset or liability, either directly or indirectly;
- Level 3 – Unobservable inputs for the asset or liability.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For fiscal year ended June 30, 2017, the application of valuation technique applied to the City's financial statements has been consistent.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the enterprise fund types are pooled with the City's pooled cash and investments.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Proprietary fund receivables are shown net of an allowance for uncollectible accounts. Utility customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

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

Lien Date	January 1st			
Levy Date	July 1st to June 30th			
Due Dates	November 1st	1st installment	February 1st	2nd installment
Delinquent Dates	December 10th	1st installment	April 10th	2nd installment

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as deferred revenue. Enterprise fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

G. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. Gifts or contributions of capital assets are recorded at acquisition value when received.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	20-50 years
Utility systems	20-50 years
Equipment and vehicles	5-10 years
Infrastructure	40 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure acquired since the adoption of this statement.

The City defines infrastructure as capital assets that are stationery and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, parks and recreation improvements, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Risk Management

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

I. Compensated Absences Payable

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is included as a liability in the government- wide and proprietary fund financial statements.

J. Long-Term Debt

In the government-wide and enterprise fund statements, long-term debt and other long-term obligations are reported as liabilities. Issuance costs are deferred and amortized over the life of the loan. Issuance costs are reported as other assets and amortized over the term of the related debt, which is 40 years. The United States Department of Agriculture obligation commenced July 1, 2009, and the United States Department of Agriculture, Series A and B commenced November 18, 2010. Amortization for the fiscal year ended June 30, 2017 was \$1,563.

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

K. Deferred Outflows/Inflows of Resources

In additions to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In additions to liabilities, this statement of financial 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has only one type of item, which arises only a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from federal and state grants, and from the housing loan principal. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Classification of Net Position and Fund Balances

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Net investment in capital assets– This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net position- This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position- This category represents net position of the City, not restricted for project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

The City implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The objective of the statement is to enhance the usefulness of fund balance information by provided clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications 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 the governmental fund financial statements are as follows:

Nonspendable fund balance- includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted fund balance- includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other government or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance- includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and Management. These amounts cannot be used for any other purpose unless the City Council and Management 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 fund balance - 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 is expressed by (a) the City Council and Management or (b) an appointed body or official to which the City Council and Management has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance - this classification includes all residual fund balances for the General Fund that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstance when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned. However, the City reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

M. Compliance and Accountability

The Airport Enterprise fund had a deficit net position balance of \$12,136 as of June 30, 2017. The City made some unexpected repairs during the previous years, and expects to replenish the net position with future income generated from the airport.

The General Fund had an operational deficit that is due to cost allocations made during the budgeting process.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website.

GASB 68 requires that the reported results must pertain to liability and asset information within certified defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the City Administrator in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the City Administrator the authority to invest City funds and to deposit securities.

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

At June 30, 2017, cash, cash equivalents and investments consisted of the following:

Cash and cash equivalents	\$ 3,724,512
Investments	<u>4,812,106</u>
Total cash, cash equivalents and investments	<u><u>\$ 8,536,618</u></u>

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash Deposits

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net assets as cash and cash equivalents. The carrying amount of the City's cash deposits was \$3,724,512 at June 30, 2017. The general bank balance at June 30, 2017, was \$3,822,350, which was fully covered by federal depository insurance limits.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of the pledged securities must equal at least 110 percent of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of a City's total deposits.

Local Agency Investment Fund (LAIF)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). These funds are carried at cost which approximates fair value. As of June 30, 2017, the balance is \$1,975,674. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. For withdrawals over \$10,000,000 LAIF requires at least 24-hour notice. Also, there is a \$5,000 minimum and a limit of 15 transactions per month.

Authorized Investments

Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Securities of the U.S. Government, or its agencies	Local agency investment fund deposits
Certificates of deposit (or time deposits) placed	(state pool)
with commercial banks and/or savings and	Passbook savings account demand deposits
loan companies	Small business administration loans
Bankers' acceptances	

The City's investment activities are within state statutes and the City's investment policy.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy, established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using quote prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based pricing valuations for which all significant assumptions are observable or can be corroborated by observable market data.

The following is a summary of the fair value measurements as of June 30, 2017:

	Fair Value	Significant Other Observable Inputs (Level 2)
Invesments classified by fair value hierarchy		
U.S. Government Securities	\$ 582,293	\$ 582,293
Total investments by fair value hierarchy	\$ 582,293	\$ 582,293
Investments not subject to fair value hierarchy		
Local Agency Investment Fund	\$ 1,975,674	
Non-negotiable Certificates of Deposits	2,254,139	
Total investments not subject to fair value hierarchy	\$ 4,229,813	
Total investments measured at fair value	\$ 4,812,106	

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing exposure of fair value losses arising from increasing interest rates.

The value of investments held in the City Treasury, grouped by maturity at June 30, 2017, is as follows:

Investment type	Total Amount	12 months or less	13 to 24 Months	25 to 60 Months	60+ Months
Local Agency Investment Fund (LAIF)	\$ 1,975,674	\$ 1,975,674	\$ -	\$ -	\$ -
Money market	-	-	-	-	-
Certificate of deposits	2,254,139	-	502,083	1,752,056	-
Held by Finance 500:					
Federal Agency Securities	582,293	-	486,365	95,928	-
Total	\$ 4,812,106	\$ 1,975,674	\$ 988,448	\$ 1,847,984	\$ -

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit and Concentration Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). It is in the City's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's and Moody's Investors Services. At June 30, 2017, the City's credit risks, expressed on a percentage basis, are as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S & P's Rating	% of Investments
Certificate of Deposits *	Not Rated	Not Rated	46.85%
Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	41.05%
Federal National Mortgage Association	Not Rated	A	12.10%
Total			100.00%

*Investments in Certificates of Deposit are generally limited to the FDIC insurance limit per institution.

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

	Credit Quality Ratings	Fair Value
Cash on hand	Not Rated	\$ 200
Primary government deposits	Not Rated	3,295,754
Certificates of deposits	Not Rated	2,254,139
Local Agency Investment Fund (LAIF)	Not Rated	1,975,674
Federal National Mortgage Association	A	582,293
Cash in fiduciary funds	Not Rated	428,558
Total cash and investments		\$ 8,536,618

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments are reported on the government-wide statement of net assets as follows:

	<u>Credit</u>	<u>Fair Value</u>
	<u>Quality Ratings</u>	
Cash and investments	Not Rated	\$ 7,783,390
Restricted cash and cash equivalents	Not Rated	<u>324,670</u>
Total cash and investments		<u>\$ 8,108,060</u>
Cash and investments in fiduciary funds		<u>\$ 428,558</u>

NOTE 3 – INTERFUND TRANSACTIONS

A. Current Interfund Balance

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

<u>Due to fund</u>	<u>Due from fund</u>	<u>Amount</u>
General Fund	Airport	\$ 84,409
General Fund	Transit	16,608
Gas Tax	Measure R	31,700
Gas Tax	Transportation	54,843
Community Development PI Fund	CDBG Program	80,215
Community Development PI Fund	HOME Program	<u>4,997</u>
		<u>\$ 272,772</u>

B. Long-Term Interfund Advances

At June 30, 2017, the funds below have made advances that were not expected to be repaid in one year or less.

<u>Advances from</u>	<u>Advances to</u>	<u>Amounts</u>
General fund	Private-Purpose Trust Fund Successor Agency	\$ 45,472

The Redevelopment Agency Fund advance is from the General Fund and is composed of various operating advances for the redevelopment agency's different project areas. The advances have an interest rate at 7 percent per annum and are expected to be repaid with tax increment revenue.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – INTERFUND TRANSACTIONS (continued)

C. Transfers Between Funds

With 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.

Transfer from	Transfer to	Amount	Reason
Water	General	\$ 58,370	Costs applied
Sewer	General	91,999	Costs applied
Transit	General	22,664	Costs applied
Transportation	General	94,679	Costs applied
Gas Tax	General	39,276	Costs applied
Gas Tax	STP	199,343	New fund

NOTE 4 – LOANS RECEIVABLE / DEFERRED INFLOWS

On October 17, 1995, the City entered into a "Building Loan Agreement" with and among the Woodlake Valencia Partners and Wells Fargo National Bank. The City loaned \$952,000 of Home Investors Partnership (HOME) funds. The interest rate is 6.5 percent fixed rate, simple interest. Interest began accruing on the date of the loan closing. The term of the loan is 40 years with a grace period of 20 years for payment on accrued interest and principal. Payments shall be made annually beginning April 1, 2017, in an amount equal to fifty percent (50%) of residual receipts.

On June 10, 1996, the City entered into a "Development Agreement" with Scott B. Townsend and Carolyn L. Townsend, doing business as Walsberg Properties. The City loaned \$952,381 of HOME funds. The interest rate is 1.5 percent fixed rate, simple interest. Interest began accruing on January 1, 1997. Annual payments are made on April 30 of each year, which began April 30, 1998, in the amount of fifty percent (50%) of all residual receipts over \$12,000. The payments are applied first to interest then due and the balance to principal. The term of the loan shall end on June 10, 2051. The City paid the back taxes to prevent foreclosure, and assigned the property and notes to Self-Help Enterprises.

The grant funds expended for rehabilitation and First Time Homebuyers Program under the Community Development Block Grant Program are recorded as expenditures in the year the loans are made to participants even though the amounts will be recovered as the loans are repaid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year such payments are received. These are "performing" loans with monthly/annual activity and are recorded as receivable and deferred revenue. Such loans totaled \$268,456 as of June 30, 2017.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 – LOANS RECEIVABLE / DEFERRED INFLOWS (continued)

Deferred payment loans, issued under the Community Development Block Grant Program and Home Investors Partnership Program, are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time, the full amount of the deferred loan is due. Deferred payment loans are "non-performing" loans and are recorded as receivable and deferred revenue. Such loans totaled \$9,424,459 as of June 30, 2017.

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2002-2003 fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

For the year ended June 30, 2017, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 11,353
Community development	3,066
Public safety	61,035
Public works	197,962
Parks and recreation	<u>30,153</u>
Total	<u><u>\$ 303,569</u></u>

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CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CAPITAL ASSETS (continued)

The following presents summary information on capital assets:

	Balance June 30, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 914,597	\$ 30,000	\$ -	\$ -	\$ 944,597
Construction in progress	9,324,007	517,909	-	(8,929,356)	912,560
Total capital assets, not being depreciated	10,238,604	547,909	-	(8,929,356)	1,857,157
Capital assets, being depreciated:					
Buildings	740,652	-	-	-	740,652
Improvements other than buildings	1,661,433	14,146	-	-	1,675,579
Equipment	1,207,149	-	-	-	1,207,149
Infrastructure	4,581,489	1,831,369	-	8,929,356	15,342,214
Total capital assets, being depreciated	8,190,723	1,845,515	-	8,929,356	18,965,594
Less accumulated depreciation for:					
Buildings	585,895	12,752	-	-	598,647
Improvements other than buildings	505,544	79,997	-	-	585,541
Equipment	674,893	96,283	-	-	771,176
Infrastructure	905,104	114,537	-	-	1,019,641
Total accumulated depreciation	2,671,436	303,569	-	-	2,975,005
Total capital assets, being depreciated, net	5,519,287	1,541,946	-	8,929,356	15,990,589
Governmental activity capital assets, net	\$ 15,757,891	\$ 2,089,855	\$ -	\$ -	\$ 17,847,746
	Balance June 30, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 526,713	\$ 380,706	\$ -	\$ -	\$ 907,419
Infrastructure in progress	2,701,095	1,670,972	-	-	4,372,067
Total capital assets, not being depreciated	3,227,808	2,051,678	-	-	5,279,486
Capital assets being depreciated:					
Utility system	24,841,662	24,472	-	-	24,866,134
Building and Structures	908,352	12,495	-	-	920,847
Equipment and vehicles	1,278,152	145,935	-	-	1,424,087
Total capital assets, being depreciated	27,028,166	182,902	-	-	27,211,068
Less accumulate depreciation for:					
Utility system	3,311,939	607,003	-	-	3,918,942
Building and Structures	87,344	45,418	-	-	132,762
Equipment and vehicles	735,297	88,938	-	-	824,235
Total accumulated depreciation	4,134,580	741,359	-	-	4,875,939
Total capital assets, being depreciated, net	22,893,586	(558,457)	-	-	22,335,129
Business-type capital assets, net	\$ 26,121,394	\$ 1,493,221	\$ -	\$ -	\$ 27,614,615

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – OPERATING LEASES

Rental Income

The City entered into a lease agreement to lease out the restaurant at the airport. Monthly installments of \$1,500 are required under a month to month lease for the facility, beginning December 2014. Rental income was \$18,059 for the fiscal year ended June 30, 2017.

The City entered into lease agreements for land/hangar leases at the airport. Monthly installments of \$2,160 are required under the leases monthly. Rental income was \$25,045 for the fiscal year ended June 30, 2017.

NOTE 7 – LONG-TERM OBLIGATIONS

A. Compensated absences

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$65,779 for governmental activities and \$62,044 for business-type activities at June 30, 2017, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the enterprise funds.

	<u>Balance</u> <u>June 30, 2016</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due in More</u> <u>than One Year</u>
Governmental Activities:						
Compensated absences	<u>\$ 89,638</u>	<u>\$ 31,594</u>	<u>\$ 51,223</u>	<u>\$ 70,009</u>	<u>\$ 4,230</u>	<u>\$ 65,779</u>
Business-Type Activities:						
Compensated absences	<u>\$ 70,396</u>	<u>\$ 32,539</u>	<u>\$ 35,722</u>	<u>\$ 67,213</u>	<u>\$ 5,169</u>	<u>\$ 62,044</u>

B. Judgments payable

Management has been notified that the City's attorney has negotiated and settled a claim, and has agreed to pay the Plaintiff a total of \$275,000. Five payments are scheduled; the first payment begins in the 2017/18 fiscal year, and the final payment will be made in the 2020/21 fiscal year.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – LONG-TERM OBLIGATIONS (continued)

C. Loans and notes payable

The following is a summary of long-term loans and notes for the year ended June 30, 2017:

	Balance June 30, 2016	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Amounts Due Within One Year	Amounts Due in More than One Year
Business Type Activities						
USDA loan Water	\$ 1,776,661	\$ -	\$ -	\$ 1,776,661	\$ 35,500	\$ 1,741,161
USDA bond - Water meters	2,363,000	-	-	2,363,000	15,000	2,348,000
Sewer Loan	165,624	-	14,804	150,820	16,024	134,796
USDA loan, Series A	8,255,100	-	164,200	8,090,900	167,900	7,923,000
USDA loan, Series B	3,775,300	-	75,100	3,700,200	76,800	3,623,400
Total business type activities	<u>\$ 16,335,685</u>	<u>\$ -</u>	<u>\$ 254,104</u>	<u>\$ 16,081,581</u>	<u>\$ 311,224</u>	<u>\$ 15,770,357</u>

USDA Water system loan

The City purchased certificates of participation of \$2,000,000 from the USDA to finance water system improvements. Interest on the certificates of participation accrues at 2.75 percent per annum. The City is required to make annual principal payments on July 1 of each year commencing July 1, 2010 through July 1, 2048, with interest payments made semi-annually on January 1 and July 1. The payments will vary based on number of days that interest is accrued.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	USDA Certificate of Participation		
	Principal	Interest	Total
2018	\$ 35,500	\$ 48,858	\$ 84,358
2019	36,500	47,882	84,382
2020	37,500	46,878	84,378
2021	38,500	45,847	84,347
2022	39,600	44,788	84,388
2023-2027	214,700	207,009	421,709
2028-2032	245,800	175,827	421,627
2033-2037	281,600	140,107	421,707
2038-2042	322,500	99,195	421,695
2043-2047	369,200	52,357	421,557
2048	155,261	6,337	161,598
Totals	<u>\$ 1,776,661</u>	<u>\$ 915,085</u>	<u>\$ 2,691,746</u>

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – LONG-TERM OBLIGATIONS (continued)

USDA Water meter loan

The City entered into a USDA loan in the amount of \$2,363,000 for the purchase of automated water meters to replace the old, existing meters. Interest on the loan is at a fixed rate of 2.50 percent per annum. The City is required to make annual principal payments on July 1 of each year commencing July 1, 2017 through July 1, 2055, with interest payments made semi-annually on January 1 and July 1. The payments will vary based on number of days that interest is accrued.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	USDA Bond		
	Principal	Interest	Total
2018	\$ 15,000	\$ 58,700	\$ 73,700
2019	37,500	57,762	95,262
2020	38,500	56,800	95,300
2021	39,500	55,813	95,313
2022	40,500	54,800	95,300
2023-2027	224,500	257,862	482,362
2028-2032	254,500	228,338	482,838
2033-2037	287,500	194,937	482,437
2038-2042	325,500	157,125	482,625
2043-2047	367,500	114,388	481,888
2048-2052	415,500	66,125	481,625
2053-2055	317,000	13,888	330,888
Totals	<u>\$ 2,363,000</u>	<u>\$ 1,316,538</u>	<u>\$ 3,679,538</u>

Sewer improvement loan

The City entered into a loan agreement for \$240,000 with David C. Stillwell and Victoria Lynn Stillwell as trustees of the David C. Stillwell and Victoria Lynn Stillwell Trust on August 14, 2009, to purchase property to be used as part of the sewer improvement project. The loan accrues interest at a fixed rate of 8 percent per annum. The City is required to make quarterly payments of \$6,904, which include principal and interest, on the November 15, February 15, May 15, and August 15, each year through August 15, 2024.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	Sewer Loan		
	Principal	Interest	Total
2018	\$ 16,024	\$ 11,593	\$ 27,617
2019	17,345	10,272	27,617
2020	18,775	8,842	27,617
2021	20,323	7,295	27,618
2022	21,998	5,619	27,617
2023-2025	56,355	5,784	62,139
Total	<u>\$ 150,820</u>	<u>\$ 49,405</u>	<u>\$ 200,225</u>

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – LONG-TERM OBLIGATIONS (continued)

USDA Sewer loan – Series A

The City purchased certificates of participation of \$9,000,000 from the USDA to finance sewer system improvements. Interest on the certificates of participation accrues at 2.25 percent per annum. The City is required to make annual principal payments on January 1 of each year commencing January 1, 2012 through January 1, 2050, with interest payments made semi-annually on January 1 and July 1. The payments will vary based on number of days that interest is accrued.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	USDA Certificate of Participation - Series A		
	Principal	Interest	Total
2018	\$ 167,900	\$ 180,156	\$ 348,056
2019	171,700	176,336	348,036
2020	175,600	172,429	348,029
2021	179,500	168,434	347,934
2022	183,600	164,349	347,949
2023-2027	981,700	757,182	1,738,882
2028-2032	1,097,200	640,357	1,737,557
2033-2037	1,226,500	509,777	1,736,277
2038-2042	1,370,800	363,825	1,734,625
2043-2047	1,531,900	200,710	1,732,610
2048-2050	1,004,500	34,237	1,038,737
Total	<u>\$ 8,090,900</u>	<u>\$ 3,367,792</u>	<u>\$ 11,458,692</u>

USDA Sewer loan – Series B

The City purchased certificates of participation of \$4,116,000 from the USDA to finance sewer system improvements. Interest on the certificates of participation accrues at 2.25 percent per annum. The City is required to make annual principal payments on January 1 of each year commencing January 1, 2012 through January 1, 2050, with interest payments made semi-annually on January 1 and July 1.

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CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 – LONG-TERM OBLIGATIONS (continued)

The payments will vary based on number of days that interest is accrued. The following is a summary of future required minimum payments due:

Fiscal Year Ending	USDA Certificate of Participation - Series B		
	Principal	Interest	Total
2018	\$ 76,800	\$ 82,391	\$ 159,191
2019	78,500	80,643	159,143
2020	80,300	78,857	159,157
2021	82,100	77,030	159,130
2022	84,000	75,161	159,161
2023-2027	449,000	346,275	795,275
2028-2032	501,800	292,849	794,649
2033-2037	560,800	233,132	793,932
2038-2042	626,900	166,386	793,286
2043-2047	700,700	91,783	792,483
2048-2052	459,300	15,654	474,954
Total	\$ 3,700,200	\$ 1,540,161	\$ 5,240,361

For USDA loans, the City has pledged the revenues of the Water and Sewer Funds for payment of the loans. The revenues will remain pledged for the duration for the loans. The Water Fund had approximately \$930,000 in revenues to pay \$122,989 on debt service. The Sewer Fund had approximately \$1,816,000 in revenues to pay \$537,880 in debt services.

D. Operating Leases

In 2016, the City entered into two operating leases for copier machines, one located at City Hall and the other at the Police Department. These are five-year leases, and annual payments of principal and interest are \$3,279 and \$2,618, respectively.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	Operating Lease - City Copier			Operating lease - Police Department Copier			Total
	Principal	Interest	Total	Principal	Interest	Total	
2018	\$ 3,036	\$ 243	\$ 3,279	\$ 2,424	\$ 194	\$ 2,618	\$ 5,897
2019	3,036	243	3,279	2,424	194	2,618	5,897
2020	1,012	81	1,093	1,515	121	1,636	2,729
Total	\$ 7,084	\$ 567	\$ 7,651	\$ 6,363	\$ 509	\$ 6,872	\$ 14,523

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension 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 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 sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and the 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, at www.calpers.ca.gov.

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 five years of service. The death benefit is one of the following: 1) Basic Death Benefit; the 1957 Survivor Benefit, Level 3; or 2) Optional Settlement 2W Death Benefit (if decedent is at least age 50). The City has contracted for the Special Death Benefit for public safety members, whose death is the direct result of a violent act while on duty. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan operates under the provisions of the California Public Employees’ Retirement Law (PERL), the California Public Employees’ Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan’s authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature, and in some cases require approval by the CalPERS Board.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

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

	Miscellaneous	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age (eligible age 50 classic, 52 new)	55	62
Monthly benefits, as a % of eligible compensation	2%	2%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.377%	6.555%

	Safety	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2.% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age (eligible at age 50)	50	57
Monthly benefits, as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	7%	9.50%
Required employer contribution rates	12.055%	9.418%

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Employer contributions to the Plan for the fiscal year ended June 30, 2017 were \$285,896. The actual employer payments of \$260,730 made to CalPERS by the City during the measurement period ended June 30, 2016 differed from the City’s proportionate share of the employer’s contributions of \$269,340 by \$8,610, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability

The City’s net pension liability for (each) Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods, used to determine the net pension liability, is as follows:

Actuarial Assumptions Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset valuation method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary increases (1)	3.3% - 14.2%
Investment rate of return (2)	7.65%
Mortality rate table (3)	Derived using CalPERS' Membership data for all Funds Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter
Post Retirement Benefit Increase	2.75% thereafter

- (1) Annual increases vary by category, entry age, and duration of service
- (2) Net of pension plan investment and administrative expenses; includes inflation
- (3) The mortality rate table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements, using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website at www.calpers.ca.gov.

Change in Assumption

There were no changes in assumptions.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF).

The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

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

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

The following table reflects 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 CalPERS Board effective on July 1, 2015.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Current target allocation	Real return years 1-10 ¹	Real return years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plans’ assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

The plans’ fiduciary net position and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

The following table shows the Plans’ proportionate share of the net pension liability over the measurement period:

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

	Increase (decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (VD*)	\$ 9,320,469	\$ 7,424,992	\$ 1,895,477
Balance at: 6/30/2016 (MD*)	9,887,930	7,457,684	2,430,246
Net changes during 2015-16	\$ 567,461	\$ 32,692	\$ 534,769

*Valuation Date (VD), Measurement Date (MD)

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Local Government’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The City’s proportionate share of the net pension liability for the Plan as of the June 30, 2015 and 2016 measurement dates was as follows:

	Misc	Safety	Total
Proportion - June 30, 2015	0.03763%	0.02095%	0.02762%
Proportion - June 30, 2016	0.03906%	0.02073%	0.02809%
Change - increase/(decrease)	0.00143%	-0.00022%	0.00047%

The City report a net pension liability for its proportionate share of the net pension liability as follows:

	Misc	Safety	Total
Plan's proportionate share of the Net Pension Liability	\$ 1,356,788	\$ 1,073,458	\$ 2,430,246
Amounts recorded in Fiduciary Fund			(6,784)
Net Pension Liability as reported on Statement of Net Position Government-wide Financial Statements			<u>\$ 2,423,462</u>

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

The following presents the City’s proportionate share of the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

	Discount rate -1% 6.65%	Current discount rate 7.65%	Discount rate +1% 8.65%
Employer's Net Pension Liability - Misc	\$ 2,123,593	\$ 1,356,788	\$ 723,063
Employer's Net Pension Liability - Safety	1,642,542	1,073,458	606,299
Employer's Net Pension Liability - Total	<u>\$ 3,766,135</u>	<u>\$ 2,430,246</u>	<u>\$ 1,329,362</u>

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2015-2016 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2015), the net pension liability for the plan was \$1,895,477. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$89,075 for the Plan.

At June 30, 2017, the City has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 285,896	\$ -
Differences between actual contributions and proportionate share of employer contributions	56,557	51,364
Changes in assumptions	-	88,944
Differences between actual and expected experience	3,167	11,484
Net differences between projected & actual earnings on pension plan investments	448,317	-
Change in proportion	30,516	32,806
Total	\$ 824,453	\$ 184,598

These amounts above are net of outflows and inflows recognized in the 2015-2016 measurement period expense. The \$285,896 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. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ending June 30:	Misc	Safety	Total
2018	\$ (454)	\$ 10,537	\$ 10,083
2019	6,509	15,923	22,432
2020	87,302	117,698	205,000
2021	52,400	64,043	116,443
2022	-	-	-
Thereafter	-	-	-
	\$ 145,757	\$ 208,201	\$ 353,958

E. Payable to the Pension Plan

At June 30, 2017, the City reports a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City does not provide postemployment benefits, other than pension benefits. City's OPEB plan was terminated in July 2013 with Council Resolution No. 13-49.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-one (51) cities for workers' compensation programs and fifty-four (54) cities for the pooled liability program in the San Joaquin Valley of California. It was established under the provisions of California Government Code Section 6500 et seq. Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by CSJVRMA.

Workers' Compensation Program. The City participates in the CSJVRMA Risk Sharing Pool. Under this program, expected claim losses are actuarially determined, and all necessary monies, including operating costs, are deposited with CSJVRMA in advance. The program is retrospectively adjusted five years following its conclusion, and any funds remaining in excess of minimum funding requirements are returned to the City. Likewise, any shortfalls are collected from the City through the retrospective adjustment process. CSJVRMA is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for the purpose of obtaining excess coverage. LAWCX provides \$4,500,000 coverage limits in excess of the retained limit of \$500,000, and participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) for coverage in excess of \$5,000,000 up to the statutory limit.

Liability Program. Under the pooled liability program, expected claims are actuarially determined and deposited with CSJVRMA along with all estimated operating costs. Each year is retrospectively adjusted five years following its conclusion, and any funds remaining in excess of the minimum funding requirements are returned to the City. Likewise, funds paid out in excess of City's original deposit are collected from the City. The risk sharing pool covers the first \$1,000,000 of losses. CSJVRMA is a member of the California Affiliated Risk Management Authorities (CARMA) for the purpose of obtaining excess coverage in a risk sharing pool. The CARMA program provides coverage in excess of CSJVRMA's retained limit up to \$29,000,000.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – RISK MANAGEMENT (continued)

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2017:

Total assets	\$	100,984,219
Total liabilities		83,009,648
Member's equity	\$	17,974,571
Total revenues	\$	44,722,848
Total expenses		42,218,070
Excess of expenses over income	\$	2,504,778

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has entered into various construction contracts with private contractors prior to the fiscal year end. These commitments include various contracts related to the completion of the City's water system improvements and Bravo Lake improvements. These commitments are contingent on the receipt of future revenues for funding.

General Liability

There are various claims and legal actions pending against the City for which a provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, in the amount of \$275,000 should be reported in these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, The California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Woodlake that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “Successor Agency” to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City Minute Order, which passed unanimously.

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

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

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

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

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

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

Land held for resale

Previously reported land held for resale (\$45,114) was sold to the City during this fiscal year.

Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Land	\$ 605,409	\$ -	\$ -	\$ 605,409
Improvements other than buildings	855,968	-	-	855,968
Accumulated depreciation - improvements	(184,052)	(21,399)	-	(205,451)
Capital assets net	<u>\$ 1,277,325</u>	<u>\$ (21,399)</u>	<u>\$ -</u>	<u>\$ 1,255,926</u>

Intergovernmental payable

The advance made by the City of Woodlake to the Former redevelopment agency were transferred to the Successor Agency private-purpose trust fund as intergovernmental payable and comprised of the following:

Purpose	Amount
Admin and Projects 10/11 FY	\$ 163,261
Admin and Projects 09/10 FY	25,362
Admin and Projects 08/09 FY	<u>7,360</u>
Totals	195,983
Payments	
Fiscal year 2015-16	(74,917)
Fiscal year 2016-17	<u>(75,594)</u>
Balance	<u>\$ 45,472</u>

Long-term debt

The RDA tax allocation bonds were issued by the Redevelopment Agency to purchase the local airport. The USDA purchased the bonds that bear an interest rate of 4.125 percent per annum. The City is required to make annual principal payments on July 1 of each year through July 1, 2025, with semi-annual interest payments in January and July. The payments will vary based on number of days that interest is accrued.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

The following is a summary of future required minimum payments:

Fiscal Year Ending	RDA Tax Allocation Bonds - USDA		
	Principal	Interest	Total
2018	\$ 31,800	12,643	\$ 44,443
2019	33,100	11,278	44,378
2020	34,500	9,854	44,354
2021	35,900	8,374	44,274
2022	37,400	6,831	44,231
2023-2025	165,600	10,597	176,197
Totals	<u>\$ 338,300</u>	<u>\$ 59,577</u>	<u>\$ 397,877</u>

Contingencies

Under AB 1X 26, the repayment of loans made in good faith by the City of Woodlake to the former redevelopment agency became unenforceable as of February 1, 2012 and not subject to repayment by the Successor Agency. Under AB 1484, the City may be eligible to receive repayment of sums loaned to the redevelopment agency more than two years after the redevelopment agency was created. However, AB 1484 places several conditions on the repayment of the loans by the Successor Agency to the City which could significantly reduce the repayment amount. It is also possible that the State of California Department of Finance (DOF) could invalidate any of the loans made by the City to the redevelopment agency.

NOTE 13 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosures is March 8, 2018, which is the date that the financial statements were available to be issued.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2012, the City loaned \$74,000 to the Woodlake Cemetery District. The loan is a related party transaction, because the City conducted business with the employer of one of the City's Council members. There were no payments made in the Fiscal Year 2016/17, resulting in an ending balance of \$58,116.

CITY OF WOODLAKE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 78 - Pensions Provide through Certain Multiple-Employer Defined Pension Plans. The provisions of GASB Statement No. 78 are effective for financial statements beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. The provisions of GASB Statement No. 81 are effective for reporting periods beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 83 – Certain Asset Retirement Obligations. The provisions of GASB Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 84 – Fiduciary Activities. The provisions of GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 85 – Omnibus 2017. The provisions of GASB Statement No. 85 are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 86 – Certain Debt Extinguishment issues. The provisions of GASB Statement No. 86 are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 87 – Leases. The provisions of GASB Statement No. 87 are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WOODLAKE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP basis) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 251,500	\$ 295,500	\$ 277,855	\$ (17,645)
Utility users tax	335,000	330,000	341,422	11,422
Sales taxes	380,000	400,000	402,790	2,790
Other taxes	63,200	46,937	28,340	(18,597)
Licenses and permits	175,510	122,341	123,089	748
Charges for services	721,100	890,467	787,368	(103,099)
Intergovernmental revenues	828,833	811,036	709,487	(101,549)
Fines and forfeitures	22,200	22,454	28,448	5,994
Use of money and property	37,800	73,400	9,217	(64,183)
Miscellaneous revenues	20,500	18,000	257,496	239,496
Total revenues	<u>2,835,643</u>	<u>3,010,135</u>	<u>2,965,512</u>	<u>(44,623)</u>
EXPENDITURES				
Current:				
General government	196,932	207,755	437,336	(229,581)
Community development	96,956	65,966	-	65,966
Public safety	1,319,286	1,262,750	1,143,799	118,951
Public works	74,865	88,522	342,270	(253,748)
Parks and recreation	197,027	313,545	88,855	224,690
Refuse services	622,430	689,100	654,240	34,860
Capital outlay:				
Community development	195,000	105,114	91,032	14,082
Parks and recreation	-	-	231,901	(231,901)
Public safety	-	-	-	-
Total expenditures	<u>2,702,496</u>	<u>2,732,752</u>	<u>2,989,433</u>	<u>(256,681)</u>
Excess (deficiency) of revenues over expenditures	<u>133,147</u>	<u>277,383</u>	<u>(23,921)</u>	<u>(301,304)</u>
OTHER FINANCING SOURCES (USES)				
Debt service interest	-	-	-	-
Operating transfers in (out)	-	-	306,988	306,988
Proceeds from sale of capital assets	-	-	29,303	29,303
Total other financing sources	<u>-</u>	<u>-</u>	<u>336,291</u>	<u>336,291</u>
Net change in fund balance	<u>\$ 133,147</u>	<u>\$ 277,383</u>	312,370	<u>\$ 34,987</u>
Fund Balance, July 1			<u>879,463</u>	
Fund Balance, June 30			<u>\$ 1,191,833</u>	

**CITY OF WOODLAKE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP basis) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Repayment of loans	30,500	304,800	210,601	(94,199)
Use of money and property	175	1,310	1,288	(22)
Total revenues	<u>30,675</u>	<u>306,110</u>	<u>211,889</u>	<u>(94,221)</u>
EXPENDITURES				
Current:				
Community development	2,000	8,294	7,634	660
Capital outlay	-	230,193	20,568	209,625
Total expenditures	<u>2,000</u>	<u>238,487</u>	<u>28,202</u>	<u>210,285</u>
Excess (deficiency) of revenues over (under) expenditures	28,675	67,623	183,687	116,064
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balance	<u>\$ 28,675</u>	<u>\$ 67,623</u>	183,687	<u>\$ 116,064</u>
Fund balance, July 1			<u>238,695</u>	
Fund balance, June 30			<u>\$ 422,382</u>	

**CITY OF WOODLAKE
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP basis) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,040,512	\$ 808,721	\$ 787,918	\$ (20,803)
Use of money and property	25	25	285	260
Total revenues	<u>1,040,537</u>	<u>808,746</u>	<u>788,203</u>	<u>(20,543)</u>
EXPENDITURES				
Capital outlay:				
Streets and Roads	1,026,900	510,933	483,996	26,937
Total expenditures	<u>1,026,900</u>	<u>510,933</u>	<u>483,996</u>	<u>26,937</u>
Excess (deficiency) of revenues over (under) expenditures	13,637	297,813	304,207	6,394
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(238,619)	(238,619)
Net change in fund balance	<u>\$ 13,637</u>	<u>\$ 297,813</u>	65,588	<u>\$ (232,225)</u>
Fund balance, July 1			<u>199,029</u>	
Fund balance, June 30			<u>\$ 264,617</u>	

**CITY OF WOODLAKE
MEASURE R PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP basis) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 630,000	\$ 1,692,500	\$ 1,461,941	\$ (230,559)
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Total revenues	<u>630,000</u>	<u>1,692,500</u>	<u>1,461,941</u>	<u>(230,559)</u>
EXPENDITURES				
Capital outlay:				
Public works	-	-	-	-
Streets and Roads	630,000	1,692,500	1,461,941	230,559
Total expenditures	<u>630,000</u>	<u>1,692,500</u>	<u>1,461,941</u>	<u>230,559</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, July 1			-	
Fund balance, June 30			<u>\$ -</u>	

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Schedule of City's Proportionate Share of Net Pension Liabilities as Related Ratios

- A ratio of the City's share of plan net position divided by the total pension liability, the payroll amount for employees in the plan (covered-employee payroll), and a ratio of the City's share of net pension liability divided by covered-employee payroll.

SCHEDULE OF CONTRIBUTIONS

- If an agent employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the agent employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

CITY OF WOODLAKE
FOR THE YEAR ENDED JUNE 30, 2017
Last 10 Years*

Schedule of City's Proportionate Share of Net Pension Liabilities as Related Ratios

Measurement date	Miscellaneous		
	June 30, 2016	June 30, 2015	June 30, 2014
City's Proportionate Share of Plan Total Pension Liability	\$ 5,695,593	\$ 5,541,457	\$ 5,427,691
City's Proportionate Share of Plan Fiduciary Net Position	\$ 4,338,805	\$ 4,509,107	\$ 4,439,034
Percentage of City's Total Pension Liability	76.178%	81.370%	81.785%
City's Proportionate Share of Net Pension Liability(Asset)	\$ 1,356,788	\$ 1,032,350	\$ 988,657
City's Covered-Employee Payroll	\$ 888,586	\$ 828,428	\$ 812,169
City's Proportionate Share of Net Pension Liability(Asset) as a Percentage of its Covered Payroll	152.69%	124.62%	121.73%
City's Proportionate Share of Collective NPL	0.03906%	0.03763%	0.04000%
	Safety		
	June 30, 2016	June 30, 2015	June 30, 2014
City's Proportionate Share of Plan Total Pension Liability	\$ 4,192,338	\$ 3,779,012	\$ 3,729,749
City's Proportionate Share of Plan Fiduciary Net Position	\$ 3,118,879	\$ 2,915,885	\$ 2,698,954
Percentage of City's Total Pension Liability	74.395%	77.160%	72.363%
City's Proportionate Share of Net Pension Liability(Asset)	\$ 1,073,458	\$ 863,127	\$ 1,030,795
City's Covered-Employee Payroll	\$ 493,089	\$ 577,295	\$ 535,928
City's Proportionate Share of Net Pension Liability(Asset) as a Percentage of its Covered Payroll	217.70%	149.51%	192.34%
City's Proportionate Share of Collective NPL	0.02073%	0.02095%	0.02748%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation; historical information is required only for measurement periods during which GASB 68 was in effect.

CITY OF WOODLAKE
FOR THE YEAR ENDED JUNE 30, 2017
Last 10 Years*

Schedule of City's Proportionate Share of Net Pension Liabilities as Related Ratios

	Miscellaneous		
	2017	2016	2015
Actuarially determined contribution	\$ 134,266	\$ 114,981	\$ 109,136
Contributions in relation to the actuarially determined contributions	<u>134,266</u>	<u>114,981</u>	<u>109,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 942,701	\$ 915,244	\$ 888,586
Contributions as a percentage of covered-employee payroll	14.24%	12.56%	12.28%

	Safety		
	2017	2016	2015
Actuarially determined contribution	\$ 151,630	\$ 145,749	\$ 114,111
Contributions in relation to the actuarially determined contributions	151,630	145,749	114,111
City's Proportionate Share of Collective NPL	0.03906%	0.03763%	0.03763%
Covered-employee payroll	\$ 523,118	\$ 507,882	\$ 493,089
Contributions as a percentage of covered-employee payroll	28.99%	28.70%	23.14%

Notes to Schedule

Valuation date: 6/30/2016 6/30/2015 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
City's Proportionate Share of Collective NPL	0.02073% 0.02095% 0.02211%
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Retirement age	67 yrs. Misc., 57 yrs. Safety
Mortality	RP-2000 Healthy Annuitant Mortality Table

* - Fiscal year 2015 was the 1st year of implementation; historical information is required only for measurement periods during which GASB 68 was in effect.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF WOODLAKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Nonmajor Special Revenue	Capital Projects Capital Impact Fees	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 401,015	\$ 98,922	\$ 499,937
Receivables:			
Intergovernmental	-	-	-
Due from other funds	469,661	-	469,661
Total assets	\$ 870,676	\$ 98,922	\$ 969,598
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 78,214	-	\$ 78,214
Due to other funds	140,055	-	140,055
Total liabilities	218,269	-	218,269
Fund balances:			
Assigned	652,407	98,922	751,329
Total fund balances	652,407	98,922	751,329
Total liabilities and fund balances	\$ 870,676	\$ 98,922	\$ 969,598

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

	Nonmajor Special Revenue	Capital Projects Capital Impact Fees	Total Nonmajor Governmental Funds
REVENUES			
Licenses and permits	\$ -	\$ 11,010	\$ 11,010
Intergovernmental revenues	913,576	-	913,576
Repayment of loans	3,157	-	3,157
Use of money and property	588	32	620
Total revenues	<u>917,321</u>	<u>11,042</u>	<u>928,363</u>
EXPENDITURES			
Current:			
Community development	384,483	-	384,483
Public safety	99,600	-	99,600
Public works	38,581	-	38,581
Capital Outlay:			
Public works	74,658	-	74,658
Parks and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>597,322</u>	<u>-</u>	<u>597,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,999</u>	<u>11,042</u>	<u>331,041</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	199,343	-	199,343
Transfers out	(94,679)	-	(94,679)
Total other financing sources and uses	<u>104,664</u>	<u>-</u>	<u>104,664</u>
Net change in fund balances	424,663	11,042	435,705
Fund balance, July 1	<u>227,744</u>	<u>87,880</u>	<u>315,624</u>
Fund balances, June 30	<u>\$ 652,407</u>	<u>\$ 98,922</u>	<u>\$ 751,329</u>

**CITY OF WOODLAKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds							
	Landscaping Lighting District Fund	Transportation Tax Fund	AB 3229 COPS Fund	CDBG Fund	HOME Fund	Woodlake Housing Fund	STP	Total
ASSETS								
Cash and investments	\$ 22,347	\$ -	\$ 95,970	\$ -	\$ -	\$ 6,957	\$ 275,741	\$ 401,015
Receivables:								
Intergovernmental	397	289,203	15,147	158,216	6,698	-	-	469,661
Interest	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-
Total assets	\$ 22,744	\$ 289,203	\$ 111,117	\$ 158,216	\$ 6,698	\$ 6,957	\$ 275,741	\$ 870,676
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 1,065	\$ 198	\$ -	\$ 75,250	\$ 1,701	\$ -	\$ -	\$ 78,214
Due to other funds	-	54,843	-	80,215	4,997	-	-	140,055
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	1,065	55,041	-	155,465	6,698	-	-	218,269
Fund balances:								
Assigned	21,679	234,162	111,117	2,751	-	6,957	275,741	652,407
Total fund balances	21,679	234,162	111,117	2,751	-	6,957	275,741	652,407
Total liabilities and fund balances	\$ 22,744	\$ 289,203	\$ 111,117	\$ 158,216	\$ 6,698	\$ 6,957	\$ 275,741	\$ 870,676

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

	Special Revenue Funds							
	Landscaping Lighting District Fund	Transportation Tax Fund	AB 3229 COPS Fund	CDBG Fund	HOME Fund	Woodlake Housing Fund	STP Fund	Total
REVENUES								
Intergovernmental revenues	\$ 33,406	\$ 289,203	\$ 130,086	\$ 372,122	\$ 12,361	\$ -	\$ 76,398	\$ 913,576
Repayment of loans	-	-	-	-	-	3,157	-	3,157
Use of money and property	85	81	397	-	-	25	-	588
Total revenues	33,491	289,284	130,483	372,122	12,361	3,182	76,398	917,321
EXPENDITURES								
Current:								
Community development	-	-	-	372,122	12,361	-	-	384,483
Public safety	-	-	99,600	-	-	-	-	99,600
Public works	38,581	-	-	-	-	-	-	38,581
Capital Outlay:								
Public works	-	74,658	-	-	-	-	-	74,658
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	38,581	74,658	99,600	372,122	12,361	-	-	597,322
Excess (deficiency) of revenues over (under) expenditures	(5,090)	214,626	30,883	-	-	3,182	76,398	319,999
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	199,343	199,343
Transfers out	-	(94,679)	-	-	-	-	-	(94,679)
Total other financing sources and uses	-	(94,679)	-	-	-	-	199,343	104,664
Net change in fund balances	(5,090)	119,947	30,883	-	-	3,182	275,741	424,663
Fund balance, July 1	26,769	114,215	80,234	2,751	-	3,775	-	227,744
Fund balances, June 30	\$ 21,679	\$ 234,162	\$ 111,117	\$ 2,751	\$ -	\$ 6,957	\$ 275,741	\$ 652,407

City of Woodlake
Woodlake, California

Single Audit Report on Federal Awards

Year Ended June 30, 2017

City of Woodlake, California

**Single Audit Report on Federal Awards
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Independent Auditor's Report

The Honorable City Council
City of Woodlake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Woodlake (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

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

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



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To the Honorable City Council
City of Woodlake, California

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 8, 2018



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

The Honorable City Council
City of Woodlake, California

Report on Compliance for Each Major Federal Program

We have audited the City of Woodlake's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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To the Honorable City Council
City of Woodlake, California

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Honorable City Council
City of Woodlake, California

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodlake as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 8, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

March 21, 2018 (Except for the Schedule of Expenditures of Federal Awards, for which the date was March 8, 2018)

City of Woodlake

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Program/Project Identification Number	Federal Expenditures	Amount Provided to Subrecipients
U. S. Department of Housing and Urban Development				
<i>Passed through the State of California</i>				
2014 Community Development Block Grant	14.218*	14 CDBG 9895	\$ 372,122	\$ -
Total CFDA 14.218			<u>372,122</u>	<u>-</u>
<i>Passed through the State of California</i>				
HOME Investment Partnership Grant	14.239	08 CALHome- 4896	5,663	-
Total CFDA 14.239			<u>5,663</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>377,785</u>	<u>-</u>
U. S. Department of Justice				
<i>Direct Assistance:</i>				
COPS MORE grant	16.710		12,364	-
COPS Hiring Recovery Program	16.710	2009- RKWX0173	117,186	-
Total CFDA 16.710			<u>129,550</u>	<u>-</u>
Total U. S. Department of Justice			<u>129,550</u>	<u>-</u>
U. S. Department of Transportation				
<i>Passed through the State of California</i>				
FTA 5311 Grant	20.509	SA641129-00	75,545	-
Total CFDA 20.509			<u>75,545</u>	<u>-</u>
<i>Passed through the State of California</i>				
CMAQ - Roundabout	20.205*	CML- 5284(009)	397,078	-
Total CFDA 20.205			<u>397,078</u>	<u>-</u>
<i>Passed through the State of California</i>				
Federal Aviation Administration	20.106		114,660	-
Total CFDA 20.106			<u>114,660</u>	<u>-</u>
Total U. S. Department of Transportation			<u>587,283</u>	<u>-</u>
U. S. Department of Agriculture				
<i>Direct Assistance:</i>				
Community Facilities- Grant	10.780	862997- 04	588,093	-
Total CFDA 10.780			<u>588,093</u>	<u>-</u>
U. S. Department of Agriculture			<u>588,093</u>	<u>-</u>
U. S. Environmental Protection Agency				
<i>Passed through the State Water Resources Control Board</i>				
Clean Water State Revolving Fund Program	66.458	13.- 831- 550- 0	117,186	-
Total CFDA 66.458			<u>117,186</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>117,186</u>	<u>-</u>
U. S. Department of Homeland Security				
<i>Direct Assistance:</i>				
State Homeland Security Program	97.067	2012- SS- 00123	10,894	-
Total CFDA 97.067			<u>10,894</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>10,894</u>	<u>-</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,810,791</u></u>	<u><u>\$ -</u></u>

* - Major Program

See accompanying notes to the Schedule of Expenditures of Federal Awards

City of Woodlake

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

(1) **Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

(a) *Scope of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Woodlake (the City) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position and changes in cash flows, where applicable, of the City.

(b) *Basis of Accounting*

The expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles of in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

(c) *Sub-recipients*

The City may pass certain federal awards on to sub-recipients. The Government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

(d) *Pass through identifying numbers*

Pass-through entity identifying numbers are presented where available.

City of Woodlake

**Notes to the Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2017**

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards (continued)

(e) *Loan Programs with Continuing Compliance Requirements*

The federal loan programs listed subsequently are administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. The balances of loans outstanding at June 30, 2017 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2017</u>
10.766	USDA Community Facilities-Water Loan	\$ 1,766,661
10.766	USDA Community Facilities-Water Loan	2,363,000
10.766	USDA Community Facilities-Sewer Loan	8,090,900
10.766	USDA Community Facilities-Sewer Loan	<u>3,700,200</u>
	Total	<u>\$ 15,920,761</u>

City of Woodlake

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____	Yes	<u> X </u>	No
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
14.205	CMAQ - Roundabout

Dollar threshold used to distinguish between type A and type B programs:	<u> </u>	<u> \$ </u>	<u> 750.000 </u>
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Auditee qualified as low-risk auditee?	_____	Yes	<u> X </u>	No
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City of Woodlake

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017**

SECTION II. FINDINGS – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

City of Woodlake

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

CURRENT STATUS OF PRIOR YEAR FINDINGS:

Finding 2016-001 – Corrected and implemented