

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**

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**FINANCIAL STATEMENTS,  
COMBINING FUND FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	25
Statement of Activities .....	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	27
Reconciliation of the Balance Sheet to the Statement of Net Position .....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	30
Post-Employment Medical Benefits Plan Trust Fund - Statement of Fiduciary Net Position .....	31
Post-Employment Medical Benefits Plan Trust Fund - Statement of Changes in Fiduciary Net Position .....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	33
Notes to Financial Statements .....	34
Required Supplementary Information:	
Schedule of Funding Progress for Other Post-Employment Benefits (OPEB) .....	53
Post-Employment Medical Benefits Plan Schedule of Change in Net OPEB Liability .....	54
Post-Employment Medical Benefits Plan Schedules of Net OPEB Liability and Investment Returns .....	55

Combining Fund Financial Statements:

Combining Balance Sheet – Debt Service Fund .....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund .....	57
Combining Balance Sheet – Capital Project Fund .....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Project Fund .....	59

Supplementary Schedules:

Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	60
Schedule of Combined Balance Sheet – Governmental Funds (Developer Payable and Construction Contracts included as a Liability) .....	64
Schedule of Combined Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Developer Payable and Construction Contracts included as a Liability) .....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Current Year vs. Prior Year – General Fund .....	66
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Current Year vs. Prior Year – General Fund .....	67

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Fresno Metropolitan Flood Control District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fresno Metropolitan Flood Control District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, the respective changes in financial position, and the respective budgetary comparison statement for the General Fund 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 Management's Discussion and Analysis, Schedule of Funding Progress for Other-Post Employment Benefits (OPEB), Post-Employment Medical Benefits Plan Schedule of Change in Net OPEB Liability, and Post-Employment Medical Benefits Plan Schedules of Net OPEB Liability and Investment Returns, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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

### *Other Information*

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

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

The schedules on pages 64 and 65 include the effects of recording a liability to developers in the special revenue PPDA Trust Fund. Most of this liability is not actually payable from the fund assets at June 30, 2017, instead it may be paid over the next 20 years from future receipts. Management internally treats this as a true liability despite not being recognized as such by accounting principles generally accepted in the United States of America. Developers will only be paid when the improvements, which were financed by the developers, are later reimbursed by the District from future fees collected in that drainage area that are eligible under District ordinances to reimburse the developers. The schedules also include the gross amount of contracts payable for awarded contracts rather than presenting the liability net of the percent incomplete, as required by generally accepted accounting principles.

The District internally treats all contracts in gross amount as awarded by the Board of Directors as a liability the current resources will be used to pay. These schedules are presented by the District to show these gross amounts for users of the financial statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
December 21, 2017

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

This section of the Fresno Metropolitan Flood Control District's (the District) Annual Financial Report presents a narrative overview of the District and its programs along with an analysis of the District's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with information presented in our financial statements.

**INTRODUCTION**

The District is a "special act" district, created by the electorate to provide fully coordinated and comprehensive stormwater management and related services on a regional basis through a quasi-joint powers relationship among the Cities of Fresno and Clovis and the County of Fresno.

In the following sections, the mission, history, and organization of the District are presented, as well as an overview of District services and programs.

**GOAL AND MISSION OF THE DISTRICT**

The mission of the District is to control and manage the flood, storm, and surface and groundwater resources of the area, so as to prevent damage, injury, and inconvenience; to conserve such waters for local, domestic, and agricultural use; and to maximize the public use and benefit of the District's programs and infrastructure.

The District is a service agency created by and for the benefit of the community. Its goal is to meet the flood control, drainage, and water resources management needs of its constituency, while adhering to high standards of performance, environmental sensitivity, economic efficiency, and maximization of public benefit.

The District works to address stormwater and related water resource problems and needs, while seeking to prevent the creation of new problems. The District strives to achieve these goals within the reasonable time and economic parameters established through collective community discussion and decision-making as entrusted to the District Board of Directors. As a service agency, it is the District's responsibility to respond to the community's needs for technical information; resources conservation; and facility construction, operation, and maintenance.



***McKinley and Fairfax 1962***

**DISTRICT HISTORY**

The District exists as a direct creation of the electorate of the Fresno-Clovis metropolitan area. Until June 5, 1956, the responsibility for stormwater management and related functions was vested individually in the Cities of Fresno and Clovis and the County of Fresno. Until that time, stormwater management generally consisted of independent, site-specific actions intended only to alleviate individual problem locations, but failing to create comprehensive solutions. In response to the rapidly increasing number of stormwater management problems and the inability of the three independent jurisdictions to provide an effective, coordinated solution, a citizens' committee formed to explore alternatives.

The result of the citizens' efforts was draft legislation creating a "special act" district designed to mandate a quasi-joint powers relationship among the Cities of Fresno and Clovis and the County of Fresno, which would provide the desired stormwater management services. The act is known as the Fresno Metropolitan Flood Control District Act of 1955 (the District Act) and was signed into law on May 13, 1955. The District Act became law on September 17, 1955, subject to voter approval. On June 5, 1956, the District Act was ratified by a five-to-one majority vote (32,030 voting in favor, 5,974 voting in opposition) and was established as Chapter 73 of the California Water Code appendix. Additional information is available from the District's web site at [www.fresnofloodcontrol.org](http://www.fresnofloodcontrol.org).



***Downtown 1925***

## **OVERVIEW OF DISTRICT SERVICES AND PROGRAMS**

### **District Service Area**

The District is located in the north-central portion of Fresno County between the San Joaquin and Kings rivers. The District is authorized to control stormwaters within an urban and rural foothill watershed of approximately 400 square miles, known as the Fresno County Stream Group. The watershed extends eastward into the Sierra Nevada to an elevation of approximately 4,500 feet above sea level. The District service area includes most of the Fresno-Clovis metropolitan area (excluding the community of Easton), and unincorporated lands to the east and northeast.



***Basin D on Forkner Ave.***

### **Flood Control Program**



***Redbank Creek Reservoir, Fresno County***

For the purposes of program planning, structure, service delivery, and financing, a distinction is made between flood control and local drainage services. The flood control program relates to the control, containment, and safe disposal of stormwaters that flow onto the valley floor from the eastern streams. The local drainage program relates to the collection and safe disposal of stormwater runoff generated within the urban and rural watersheds or "drainage areas." These and other major District programs are introduced below and described in detail in the District's Service Plan. All are closely integrated and coordinated to provide efficient, comprehensive services. Collectively, these facilities comprise the "Storm Drainage and Flood Control Master Plan."

The District's flood control program consists of a system of facilities and operations which control the flows from several low-elevation streams that drain a part of the west slope of the Sierra Nevada between the San Joaquin and Kings rivers. These streams are collectively referred to as the Fresno County Stream Group. The system is currently composed of eight major flood control facilities and many related streams and channel features. The District is the local sponsor of the U.S. Army Corps of Engineers' (Corps) Redbank-Fancher Creeks Flood Control Project, which consists of five of the system's major facilities. Through its contract with the federal government, the District is responsible for construction costs sharing, land acquisition,

operation, and maintenance of the Redbank-Fancher Creeks project. The District is also responsible for construction, operation, and maintenance of additional, non-federal flood control facilities required to control the stream group, and for flood plain management.

### **Rural Streams Program**

Between the easterly boundary of the planned urban stormwater drainage system and the District's eastern boundary, there are approximately 175 miles of streams and channels, many of which are severely obstructed. The District has implemented the rural streams program to preserve, restore, and maintain these channels, and to complete any additional facilities necessary to safely convey storm flows through the rural area and the downstream urban area. The rural streams program includes activities to secure and maintain drainage amenities necessary for rural lands within the watershed.

### **Local Stormwater Drainage Program**

The District's local stormwater drainage system consists of storm drains, detention and retention basins, and pump stations, some of which discharge to irrigation canals, creeks, and the San Joaquin River. The system is designed to retain and infiltrate as much runoff as possible. The District's Storm Drainage and Flood Control Master Plan includes 166 adopted or proposed drainage areas, each providing service to approximately one to two square miles. All but five of the developed drainage areas are served by a retention or detention facility. Local drainage services include topographic mapping; Master Plan engineering and facility design; system construction, operation, and maintenance; and engineering design services to ensure adequate drainage for new development.

### **Stormwater Quality Management Program**

In compliance with the Federal Clean Water Act and implementing stormwater permit regulations, the District and four other local public agencies (County of Fresno, City of Fresno, City of Clovis, and CSU Fresno) developed a Stormwater Quality Management Program to be implemented in the Fresno-Clovis metropolitan area. The program proposal was submitted to the Central Valley Regional Water Quality Control Board (RWQCB) as a part of the National Pollutant Discharge Elimination System Program (NPDES) municipal stormwater permit process. The RWQCB incorporated into the permit specific program requirements, including best management practices to prevent and reduce stormwater pollutants. The NPDES permit was originally issued to the participating agencies in September 1994, and was renewed in March 2001 and again on May 30, 2013. The permit is scheduled to expire on May 30, 2018.

As owner and operator of the stormwater drainage system serving the metropolitan area, the District has primary responsibility for implementing this mandated program. The Stormwater Quality Management Program includes specific pollution prevention and control practices for urban drainage system planning, design, construction, and maintenance. The program also includes public education to prevent stormwater pollution, municipal operations control measures, commercial and industrial control measures, illicit discharges control measures, and control measures associated with planning and land development. The program also includes monitoring to assess stormwater impacts on receiving water and methodologies to evaluate the effectiveness of targeted best management practices; and development and implementation of ordinances to effect and enforce stormwater quality controls.

### **Water Conservation Program**

Water conservation benefits are a design objective of the Flood Control and Urban Drainage Systems, which detain and retain stormwater runoff for groundwater recharge. The District also maintains groundwater recharge contracts with the Fresno Irrigation District (FID) and the Cities of Fresno and Clovis, which provide for dry season delivery of imported surface water into many of the District's local stormwater drainage retention basins. Through cooperative agreements with the Cities of Fresno and Clovis, the District continually investigates the feasibility of building additional interties between the surface water channels and basins, and otherwise expanding the system, to increase the system's water conservation capabilities. When practical, the District will irrigate with surface water to preserve higher quality water for commercial or industrial use.

## **Recreation Program**

The District includes landscaping of urban basin sites with turf, trees, and irrigation systems as part of the improvements in the drainage system. The landscaping stabilizes the soil, adds a green and open space area with aesthetic appeal, and provides the opportunity for recreational activities. Basins in residential areas are designed with depths and slopes that permit large open basin floors to be landscaped and available for passive or active recreational activities. Non-residential basins are designed with depths and slopes that are not accommodative to public access. These basins are only landscaped around the top perimeter and are not available for recreational access. The basins in residential areas are made available for recreational use during the dry weather season and are commonly used for public open space, playing fields, and other organized and unorganized recreation. Organized recreation is controlled by the District through facility use agreements. The District has cooperated with the Cities of Fresno and Clovis to provide active recreational features, such as baseball fields and playgrounds. The District has improved three sites with recreational features specifically designed for use by physically challenged citizens.



***Oso De Oro Park, Basin "D"***

## **Wildlife Management Program**

The District's flood control and urban stormwater drainage programs provide benefits to wildlife. The District's flood control reservoirs and rural streams provide riparian habitat for many birds and other animals. Through implementation of a Memorandum of Understanding (MOU), which serves as a section 1601 Master Streambed Alteration Agreement between the District and the Department of Fish & Game (DFG), authorized rural stream activities, including channel flow capacity restoration, are intended to accomplish long-term net benefits for fish, wildlife, water quality, native plants, and stream habitat. Furthermore, the Master MOU provides for wildlife habitat improvement to be incorporated comprehensively into District stream restoration projects in lieu of imposing incremental requirements on a project-by-project basis, and results in a net benefit to wildlife and habitat.



***Canada Geese***

The District has also designated three areas at its reservoirs as existing or potential wildlife habitat. Many urban retention basins also provide wildlife benefits. The District has implemented the wildlife program to conserve and enhance habitats in its facilities, and to provide related environmental education and awareness opportunities to the public.

## **DISTRICT ORGANIZATION**

### **District Board of Directors**

A seven member Board of Directors (the Board) governs the District. The Fresno City Council appoints four members; the Fresno County Board of Supervisors appoints two members; and the Clovis City Council appoints one member. Each director serves a 4-year term and may be re-appointed for consecutive terms. Board meetings normally occur on the second and fourth Wednesday of each month. The Board must approve the District budget, fees and assessments, direct matters of policy and enact ordinances, and perform other responsibilities authorized and required by the District Act.

### **Assets**

The District's physical assets consist of the flood control and local drainage structures and real property, the operations center, and equipment. With the completion of the District's system of flood control

facilities, the flows of the stream group will be controlled by eight major flood control structures (dams, reservoirs, and detention basins) and other appurtenant facilities. The five major components of the system initially constructed with the Corps of Engineers as the Redbank-Fancher Creeks Flood Control Project was completed in December 1993 at a total cost of \$67,004,005.

As of June 30, 2017, the District had invested \$76,028,025 for land and \$295,105,325 for infrastructure building the Local Stormwater Drainage System. This value represents the actual costs at the time of construction, and does not reflect the current value of the system to the community.

### **Revenue Sources and Financing**

The financing program of the District includes five major categories of revenues. These include (1) general property tax; (2) assessments; (3) capital construction contributions by other public agencies; (4) fees and service charges; and (5) grants. In addition to these, the District receives minor miscellaneous revenues such as rents and leases, interest, and an occasional gift. The general authority to receive or collect such revenues is set forth in the District's enabling legislation, other state legislation under which the District is an eligible participant, and through joint powers relationships in which the District participates.

### **Organizational Structure and Functions**

#### ***District Personnel***

For the fiscal year 2016-2017, the Board of Directors authorized 77 full-time positions. Organizational functions are separated into two primary divisions: administration and engineering. The General Manager-Secretary, District Engineer, and support staff performs District administration. Major administrative functions include accounting, assessment collection, office management and clerical support, land acquisition, legal services, community relations, information systems, and environmental resources management.

District engineering functions include system master planning, design, construction, development review, and facility operations and maintenance. These duties are performed by staff engineering personnel, consultants, and contractors under the direction of the District General Manager-Secretary through the District Engineer.

System operations and maintenance activities involve District field staff that monitor all facility operations, perform pump maintenance and equipment repairs, facilitate water diversions and deliveries, and investigate illegal dumping and nuisance complaints related to the storm drain system. Field staff monitors the performance of contractors that provide maintenance services and direct maintenance crews that perform pipeline system cleaning on a contract basis to the District. Field staff also performs inspections of all construction projects to ensure conformance to District design and construction standards.

District engineering staff performs master plan and design engineering for the rural streams system, reviews and comments on development entitlement applications within the District boundaries, and directs the master planning and design engineering of the urban storm drainage systems performed by the District's consultants. Staff administers the Drainage Fee Ordinance of the three land use entitlement agencies (City of Fresno, County of Fresno, and the City of Clovis) and administers a system of reimbursements for developers who advance facility construction in excess of their drainage fee obligation.

#### ***Outsourcing to Private Contractors and Consultants***

The District contracts with private entities for many administrative, environmental, and engineering services; for most maintenance services; and for all appraisal and construction services. Legal services and legislative review are performed through an agreement with private legal counsel. Community relations activities and many environmental resources planning and compliance activities are performed through professional service contracts. Master plan design engineering is performed by staff plus private engineering firms under professional service contracts. Maintenance of all dams, reservoirs, basins, pipeline systems, and all construction activity are contracted with private enterprise entities. Approximately \$10.2 million in expenditures were outsourced during the current fiscal year.

## ***Storm Drainage System***

The Storm Drainage and Flood Control Master Plan includes a five-year construction schedule which includes projects managed on a priority basis. The urban Master Plan calls for the construction of basin facilities with an interconnected network of underground pipes and above ground conveyance facilities. The Master Plan is subdivided into 173 urban drainage areas and rural watersheds. Each drainage area has at least one basin, and a network of underground pipelines. In recent years, pump stations and telemetry have been added to basin sites to improve the efficiency of moving stormwater through the system.

### **BASINS**



**Ponding basins vary in size from the smallest 4.2 acre site at Basin "CC" to 33 acres for Basin "DP".**

### **"CAST IN PLACE" PIPELINE CONSTRUCTION**



**The drainage system is comprised of pipes with widths as large as 96 inches and as small as 15 inches.**

### **CONSTRUCTION OF A PUMP STATION**



## FINANCIAL HIGHLIGHTS

<b>FRESNO METROPOLITAN FLOOD CONTROL DISTRICT SUMMARY OF NET POSITION</b>			
	<b>June 30, 2017</b>	<b>Change</b>	<b>June 30, 2016</b>
<b>ASSETS</b>			
Cash and Investments	\$ 20,957,295	\$ 1,637,826	\$ 19,319,469
Receivables	2,474,063	1,296,446	1,177,617
Restricted Cash	40,191,634	7,650,558	32,541,076
Capital Assets (Net of Depreciation)	274,353,534	(868,590)	275,222,124
<b>Total Assets</b>	<b>\$ 337,976,526</b>	<b>\$ 9,716,240</b>	<b>\$ 328,260,286</b>
<b>LIABILITIES</b>			
Current Liabilities:	\$ 3,644,528	\$ 392,222	\$ 3,252,306
Non-Current Liabilities:			
Due within One Year	2,296,909	642,530	1,654,379
Due in More Than One Year	13,940,911	(2,141,754)	16,082,665
<b>Total Liabilities</b>	<b>19,882,348</b>	<b>(1,107,002)</b>	<b>20,989,350</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	261,007,884	511,986	260,495,898
Restricted for:			
Debt Service	1,830,917	26,844	1,804,073
Construction	35,544,859	7,378,230	28,166,629
Unrestricted	19,710,518	2,906,182	16,804,336
<b>Total Net Position</b>	<b>\$ 318,094,178</b>	<b>\$ 10,823,242</b>	<b>\$ 307,270,936</b>

### Statement of Net Position-Total Assets

The total assets of the District increased \$9,716,240 from the prior year. Capital assets decreased \$868,590 net of depreciation. Non-Capital assets, which are comprised of cash and receivables on hand at the end of the fiscal period, increased \$10,584,830. The District saw an increase in receivables of \$1,296,446, and in restricted and unrestricted cash on hand of \$9,288,384.

### Statement of Net Position-Total Liabilities

As of the end of the year, total liabilities decreased \$1,107,002. Current liabilities increased \$392,222. Non-current liabilities decreased \$1,499,224 from the prior year. Non-current liabilities include the liability for Other Post-Employment Benefits.

### Statement of Net Position-Net Position

As of the end of the year, assets exceeded liabilities by \$318,094,178 (net position). Unrestricted Net Position increased \$2,906,182 to \$19,710,518 and may be used to meet the District's ongoing obligations to citizens and creditors. Restricted Net Position, which may only be used for construction or debt service, increased by \$7,405,074. The Net Investment in Capital Assets increased \$511,986 to \$261,007,884.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT CHANGES IN NET POSITION			
	For the Year Ending June 30, 2017	Change	For the Year Ending June 30, 2016
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 2,373,462	\$ 1,464,081	\$ 909,381
Capital Grants and Contributions	8,164,922	(2,012,352)	10,177,274
Total Program Revenues	10,538,384	(548,271)	11,086,655
General Revenues			
Property Taxes, Levied for General Purposes	11,115,875	526,695	10,589,180
Assessment Tax, Levied for Specific Benefit	8,242,464	(12,486)	8,254,950
Investment Earnings and Rental Revenue	814,589	125,486	689,103
Gain on Disposal of Assets	1,734	(7,722)	9,456
Miscellaneous	158,686	67,519	91,167
Total General Revenues	20,333,348	699,492	19,633,856
Total Revenues	30,871,732	151,221	30,720,511
<b>Functions and Programs</b>			
Flood Control System	8,730,958	231,490	8,499,468
General Government	10,802,608	212,465	10,590,143
Interest on Long-Term Debt	534,785	(108,384)	643,169
Total Functions and Programs	20,068,351	335,571	19,732,780
<b>Change in Net Position</b>	10,803,381	(184,350)	10,987,731
Net Position - Beginning	307,270,937	10,987,732	296,283,205
Prior Period Adjustment	19,860	19,860	-
<b>Net Position - Ending</b>	<u>\$ 318,094,178</u>	<u>\$ 10,823,242</u>	<u>\$ 307,270,936</u>

### Changes in Net Position

Net position increased \$184,350 less than the prior year for a net increase of \$10,803,381. Revenues increased \$151,221 primarily due to an increase in Charges for Services of \$1,464,081 and an increase of \$526,695 in Property Tax Revenues. Total Functions and Program Expenses increased \$335,571, due to an increase of General Government and Flood Control Systems.

### Governmental Funds-Fund Balance Reporting Requirements

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires all governmental entities to implement changes to governmental fund financial statements. GASB Statement No. 54 requires that the new requirements must be implemented for fiscal years beginning after June 15, 2010. It changes the presentation of the elements of the fund balance. GASB Statement No. 54 also clarified the definitions of special revenue funds, capital projects funds, debt service funds, and their relationship to the General Fund. GASB Statement No. 54 challenges norms that have been in place since fiscal year 2002. Listed are the Fund Balance Categories:

- **Nonspendable** fund balances are balances in permanent funds. This could apply to non-restricted long-term receivables.
- **Restricted** fund balances are legally enforceable requirements that the resources can only be used for specific purposes enumerated in the law. This would apply to the District's Debt Service and Special Revenue Funds (PPDA).

**Committed** fund balances are balances that the District's Board has approved for construction for the fiscal year. This would apply to the District's Capital Project Fund.

- **Assigned** fund balances are amounts intended for a specific purpose by the government entities management team. This would apply to general obligations including payroll and overhead expenses in the District's General Fund.
- **Unassigned** fund balances are amounts available for any purpose. They are not precluded by a management decision in the General Fund.

The fund balance categories focus largely on the nature of inflows in relation to laws and management decisions. Reserves will no longer be presented, nor will encumbrances, in the fund financial statements. Reserves are either renamed as restricted, committed, or assigned balances.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT SUMMARY BALANCE SHEET-GOVERNMENTAL FUNDS			
	June 30, 2017	Change	June 30, 2016
<b>ASSETS</b>			
Cash and Investments	\$ 20,957,295	\$ 1,637,826	\$ 19,319,469
Receivable:			
Taxes	9,281	(86,556)	95,837
Developer	14,215	-	14,215
Fees and Charges	1,015,100	411,893	603,207
Interest	24,778	24,778	-
Other	1,400,874	964,110	436,764
Due from Other Funds	1,109,523	256,403	853,120
Restricted Cash	40,191,634	7,650,558	32,541,076
Total Assets	<u>\$ 64,722,700</u>	<u>\$ 10,859,012</u>	<u>\$ 53,863,688</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 2,883,035	\$ (135,737)	\$ 3,018,772
Contracts Payable (See Supplemental Schedule on Pg. 64)	496,946	465,617	31,329
Salaries Payable	225,787	23,582	202,205
Developer Reimbursements	38,760	38,760	-
Due to Other Funds	1,109,523	256,403	853,120
Total Liabilities	<u>4,754,051</u>	<u>648,625</u>	<u>4,105,426</u>
Deferred Inflows:			
Deferred inflow from grantors	<u>1,400,874</u>	<u>1,008,517</u>	<u>392,357</u>
Fund Balances:			
Restricted:			
Debt Service	1,830,917	26,844	1,804,073
Drainage Assessments	14,441,917	1,831,070	12,610,847
Committed:			
Construction	21,102,942	5,547,160	15,555,782
Assigned:			
General Obligations	7,338,570	171,067	7,167,503
Unassigned:	<u>13,853,429</u>	<u>1,625,729</u>	<u>12,227,700</u>
Total Fund Balances	<u>58,567,775</u>	<u>9,201,870</u>	<u>49,365,905</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 64,722,700</u>	<u>\$ 10,859,012</u>	<u>\$ 53,863,688</u>

## Fund Balance-Governmental Funds

As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$58,567,775, an increase of \$9,201,870. Total assets increased \$10,859,012 for the period. Unrestricted cash and investments and liquidity increased \$1,637,826 during the period.

FRESNO METROPOLITAN FLOOD CONTROL DISTRICT			
SUMMARY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS			
	Total Governmental Funds June 30, 2017	Change	Total Governmental Funds June 30, 2016
<b>Revenues</b>			
Taxes and subventions	\$ 11,115,875	\$ 526,695	\$ 10,589,180
Assessment tax revenue	8,242,464	(12,486)	8,254,950
Drainage fees - cash	4,258,209	1,918,328	2,339,881
Drainage fees - noncash	714,688	(1,926,735)	2,641,423
Fees and charges for services	2,373,462	1,464,081	909,381
Interest and rental revenue	814,589	125,486	689,103
Grants, loans, and contributions	2,201,288	(2,620,953)	4,822,241
Miscellaneous	158,686	67,519	91,167
Total Revenues	29,879,261	(458,065)	30,337,326
<b>Expenditures</b>			
Personnel expense	\$ 8,517,749	\$ 106,358	\$ 8,411,391
Office administration	199,229	1,700	197,529
Management support	81,641	651	80,990
Insurance	166,147	(41,447)	207,594
Professional services	172,850	(32,425)	205,275
Other administrative expense	1,356,433	229,023	1,127,410
System operations and maintenance	2,086,228	154,552	1,931,676
Operations center expense	205,065	22,740	182,325
Storm water quality management expense	658,859	(30,275)	689,134
Capital outlay	5,315,400	(4,643,112)	9,958,512
Debt service	1,939,384	(61,000)	2,000,384
Total Expenditures	20,698,985	(4,293,235)	24,992,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,180,276	3,835,170	5,345,106
<b>Other Financing Sources (Uses)</b>			
Transfers In	\$ 12,199,885	\$ 3,018,767	\$ 9,181,118
Transfers Out	(12,199,885)	(3,018,767)	(9,181,118)
Proceeds from sale of assets	1,734	(12,809)	14,543
Total Other Financing Sources (Uses)	1,734	(12,809)	14,543
Net Change in Fund Balances	\$ 9,182,010	\$ 3,822,361	\$ 5,359,649
Fund Balances, Beginning of Year	49,365,905	5,359,649	44,006,256
Prior Period Adjustment	19,860	19,860	-
Fund Balances, End of Year	\$ 58,567,775	\$ 9,201,870	\$ 49,365,905

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The statements are comprised of four components:

- 1) **Government-Wide Financial Statements**
- 2) **Fund Financial Statements**
- 3) **Notes to Financial Statements**
- 4) **Supplementary Information**

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of District finances in a manner similar to a private-sector business.

- ❖ The Statement of Net Position, which is similar to a Balance Sheet, presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- ❖ The Statement of Activities presents information showing how the District's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, instead of when the related cash flows in or out. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as the collection of year-end Accounts Receivable or the payment of year-end Accounts Payable.
- ❖ The governmental activities or programs of the District include general government, flood control system, and interest on long-term debt.

**Fund Financial Statements** are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the District are governmental funds.

- ❖ **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of each fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the District's projects and operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund's Balance Sheet and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *Governmental Activities*.

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-General Fund provides a comparison to the adopted budget and the activities of the General Fund.

### **Governmental Fund Structure:**

The District maintains several individual governmental funds organized according to their type (general, debt service, capital project, and an expendable trust fund). Information is presented separately in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for each of these funds.

**General Fund:**

The General Fund is the chief operating fund of the District. Generally, all revenue resources are recorded in the General Fund and allocated to the Capital Project Fund or Debt Service Fund by Board action through its adopted Budget. These allocated resources are transferred as the resources become available.

**Special Revenue Fund (Drainage Fees):**

This fund is an expendable trust fund that is used to account for Developer Impact fees (Drainage Fees) received from the development community. These fees, commonly called Assembly Bill (AB) 1600 fees, are used to pay for the construction of Master Planned Facilities either by the Developer or the District. A trust account has been established for each planned local drainage area. As drainage fees are received, they are deposited in this fund and are allocated to the appropriate planned local drainage areas. The ending fund balance is restricted by statute. Expenditures are recorded on the modified accrual basis of accounting. Reporting of fund balance, revenue, and expenditure activity is done monthly, quarterly, and yearly.

These resources are restricted and may only be used to:

- a. Construct drainage facilities,
- b. Reimburse Developers for obligations resulting from construction activity,
- c. Pay for debt service obligations whose funds were used exclusively to purchase or build planned facilities,
- d. Reimburse construction expenditures of the General Fund for construction in a specific planned local drainage area,
- e. Reimburse Developer Construction Agreement administrative costs, or
- f. Reimburse the General Fund for engineering costs for Master Plan engineering related development services.

**Capital Project Fund:**

The Capital Project Fund is used to account for resources to be used to construct Master Plan capital facilities. Funding comes from the General Fund. The District Budget allocates resources in this fund to support the Capital Project construction program for all planned drainage areas of the master plan and rural facilities. This fund includes a number of sub-funds with resources for specific projects. The ending fund balance is restricted by Board action for use for capital facilities only.

**Debt Service Fund:**

The Debt Service Fund is used to account for all Debt Service. Funding comes from the General Fund. The Debt Service Fund includes resources for the debt service payments for the California Infrastructure and Economic Development Bank loan and the State of California revolving loan that were used to purchase or construct Master Planned facilities. As of the end of the fiscal year, there were sufficient resources to make loan payments during the first six months of the next fiscal year.

- ❖ **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Combining Fund Financial Statements** provide information for the major governmental funds, and are presented following the notes to the financial statements.

**Combining Balance Sheet – Debt Service Fund****Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund**

These statements present the fiscal year activities and the resources available as of June 30, 2017, for the obligations of the District's Debt Service Fund. Debt service accounts for the State of California revolving loan and the California Infrastructure and Economic Development Bank loan are part of this fund.

## **Combining Balance Sheet – Capital Project Fund – Project Areas**

### **Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Project Fund – Project Areas**

These statements present the fiscal year activities and the resources available as of June 30, 2017, for the obligations of the District's Capital Project Funds. Each of the sub funds show resources currently allocated and available for construction activity in those project areas.

**Supplementary Schedules** include:

#### **Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund**

This schedule compares actual results to the final adopted budget.

#### **Schedule of Combined Balance Sheet - Governmental Funds (Developer Payable and Construction Contracts Included as a Liability) and Schedule of Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Developer Payable and Construction Contracts Included as a Liability)**

Accounting principles generally accepted in the United States of America, Generally Accepted Accounting Principles (GAAP), requires the use of the percentage of completion method for capital construction projects, which reduces the year-end liability for outstanding construction contracts of \$2,219,923 by \$1,722,977 (the amount that is not yet complete). GAAP also precludes the District from recording as a liability of its Special Revenue Fund, the liability due to the development community of \$8,924,620 for amounts owed by it because of the contingent nature of that liability. It is contingent, as the reimbursement obligation from the Special Revenue Fund to the developers, because the repayment obligation expires after 20 years. Payments are made semi-annually to the Development Community based upon the current collection of fees. Management presents this schedule as the GAAP adjustment materially increases the ending fund balance and understates the potential obligations of the District as of the end of the fiscal year. The purpose of this statement is to show the financial obligations and financial impact on the District's governmental funds as though these rules did not exist. Management believes this reflects a better picture of the liabilities due from its operations.

#### **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Current Year vs. Prior Year - General Fund**

This schedule compares actual results for the current year to the actual results of the prior year. It is not intended to show compliance with the budget, but to show how the results for the current year compare to the results of the prior year.

#### **Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Current Year vs. Prior Year - General Fund**

This schedule is a line by line detail of the previous schedule.

## **ANALYSIS OF GOVERNMENTAL ACTIVITIES**

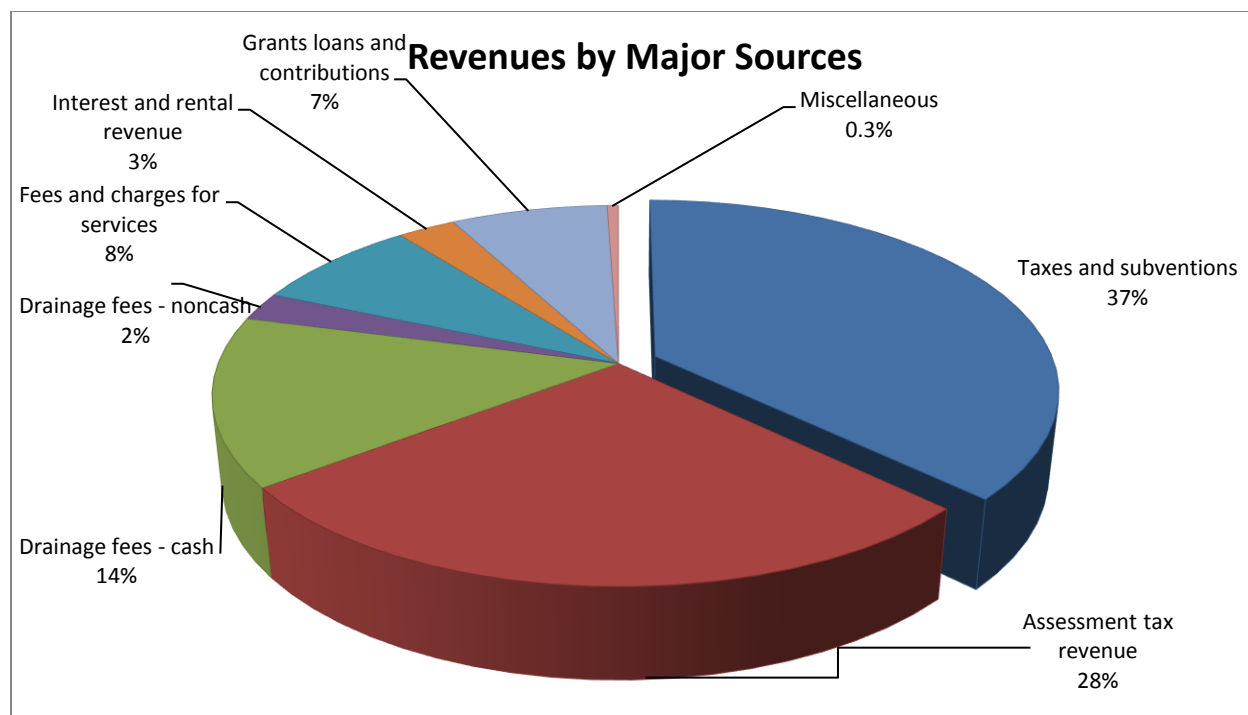
### **REVENUES**

#### **Property Tax Revenue Loss:**

After the passage of Proposition (Prop) 13 in 1978, the California legislature enacted legislation that changed the allocation and apportionment of property tax revenues to local governments and public schools. In 1978-79 to help local government deal with the significant revenue loss associated with Prop 13, the State offered agencies bail-out funds. For those agencies, like the District, who took bail-out funds in 1978-79, the State, in 1979-80, converted the bail-out funds to property tax allocations by reducing property taxes allocated to local education and re-allocating those property taxes to local government. From 1980 through 1992, those property taxes grew based upon a formula developed by the State called the "AB-8" formula. The AB-8 legislation was designed to provide local agencies and

public schools with a property tax base that would grow as assessed property values increased. Under that formula, property tax allocations were comprised of a base amount (which is equal to the amount of property taxes received in the prior fiscal year) and a proportionate share of any incremental growth (which is the growth or reduction in the property taxes from one year to the next). Beginning in fiscal year 1992-93, the legislature enacted legislation that shifted a portion of local property tax revenues from local public agencies back to the public schools to meet the State's Proposition 98 mandates. This legislation was known as the Educational Revenue Augmentation Fund or "ERAF." In 1992-93, the District lost \$1,475,500 of its base property tax revenue to ERAF. In 1993-94, the State enacted legislation titled ERAF II that limited the ERAF I computation to the current value of the property taxes allocated to local government from schools in 1979-80. In 2003-04, the legislature enacted a two year amendment to the ERAF formula called ERAF III. For the two fiscal years 2004-05 and 2005-06, an additional \$438,197 of District property tax revenues was shifted to schools. In 2004, the District discovered an error in the computation of the original 1992-93 ERAF I and 1993-94 ERAF II. This error was verified by the audit staff of the State Controller's office and determined to be a loss of \$633,000. After working with the Fresno County Auditor-Controller's Office and the State Controller's office, it was determined the only way to correct this error was through legislation. In 2007, Juan Arambula introduced AB 263 which was designed to fix the error. The bill received endorsement from local Assembly and Senate Republicans and Democrats and was signed into law on October 11, 2007. As of fiscal year 2016-17, the District's ERAF contribution has grown to an annual revenue loss of \$5,901,457.

Total revenues were \$29,880,995 with General Fund revenues of \$23,340,124, PPDA revenues of \$6,275,675, Capital Project revenues of \$250,877, and Debt Service revenues of \$14,319. Miscellaneous includes any gain or loss on sale of assets.



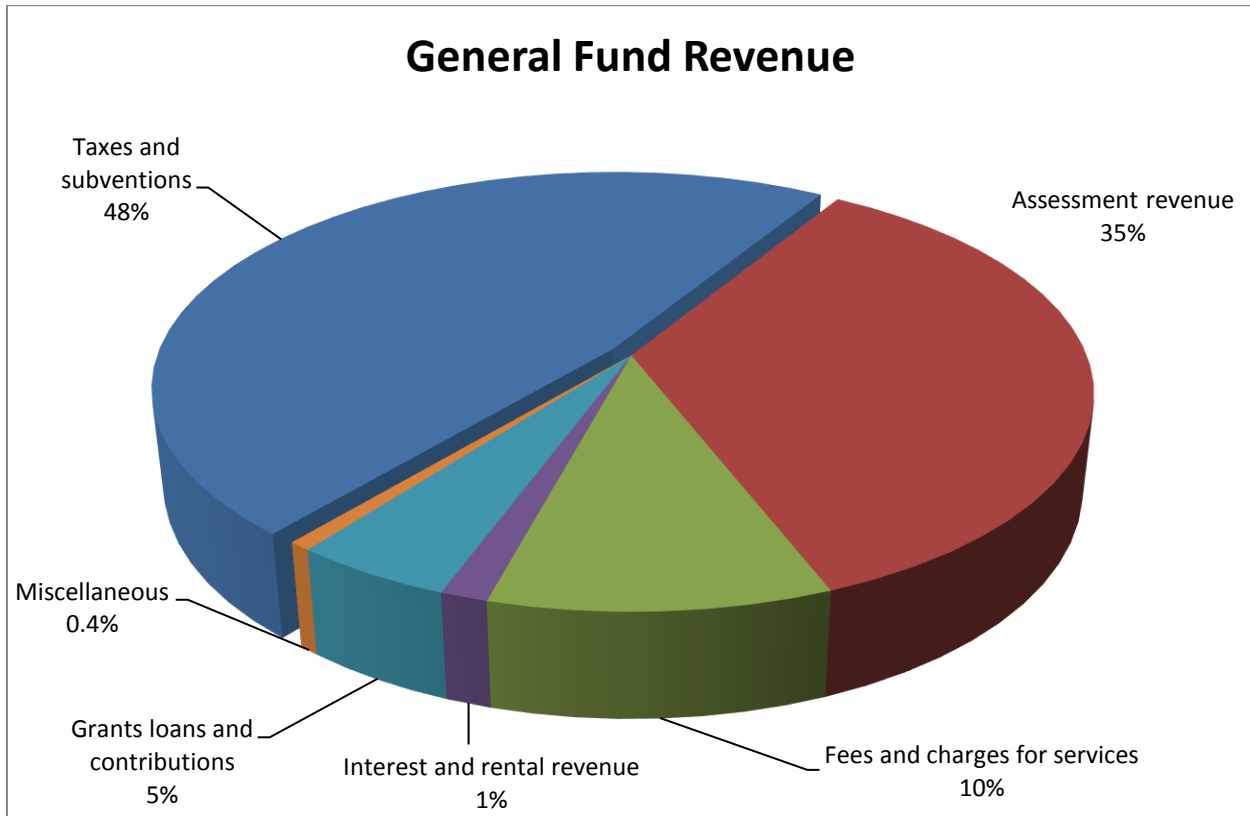
### Property Tax Revenues:

Property Tax Revenues, net of the ERAF shift, comprise 48% of the District's General Fund revenues and 37% of the District's total revenues. Property taxes are based upon the District's proportionate share of Fresno County's ad-valorem property tax. The District receives less than 2% of the total countywide property tax revenue collected by the County of Fresno through property tax assessment rolls prepared by the Auditor-Controller/Treasurer-Tax Collector's office.

Property tax revenues are recorded in the General Fund. This category includes current secured taxes, current unsecured taxes, current collections of unsecured taxes for prior periods, any supplemental taxes, and subventions received from the State and allocated by the County of Fresno to the District and homeowners' relief.

## Assessments:

Assessment Revenues comprise 28% of the District's total revenue, 35% of the General Fund revenue. Of the assessment revenue, approximately 14% (approximately \$1.2 million) is earmarked for debt service for our California Infrastructure and Economic Development Bank (CIEDB) loan. Assessment tax revenues are recorded in the General Fund.



## Interest and Rental Revenue:

Interest revenue is recorded in all funds while rental revenues are recorded only in the General Fund.

## Fees and Charges for Services:

Fees and Charges are recorded in the General Fund. This income category includes charges for Non-Conforming Facilities; Master Plan Engineering Fees; Excavation Permits; reimbursements for recharge maintenance; PPDA Administration Fees; and other miscellaneous fees, charges, and income.

## Drainage Fees:

Drainage Fees are recorded only in the Special Revenue "PPDA Trust Fund." A cash fee is collected and recorded when the fee charged exceeds any construction requirement. An in lieu or non-cash fee is recorded when a developer constructs qualifying master planned facilities and those costs are deducted from the cash fee owed.

## Grants, Loans, and Construction Contributions:

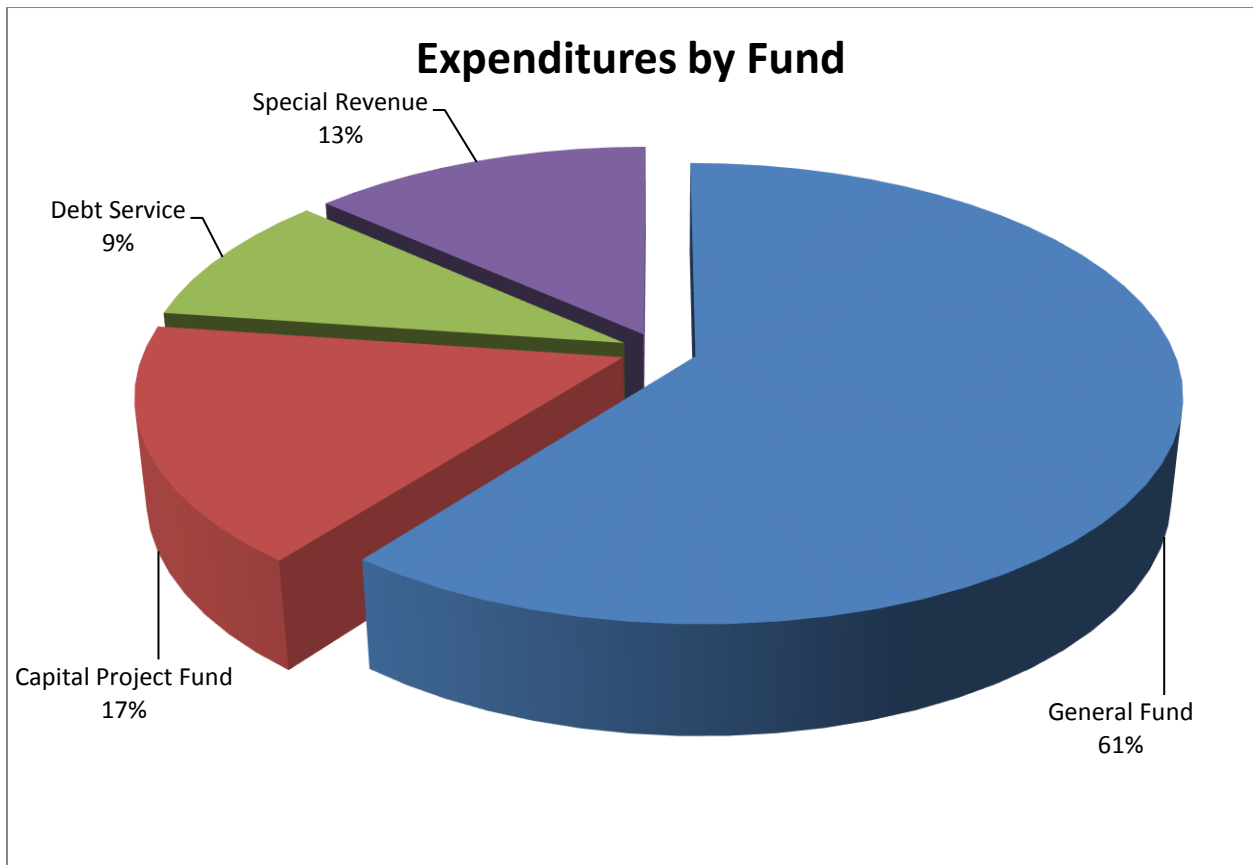
Grants and construction contributions are both recorded in multiple Funds. General Fund activity primarily reflects contributions and grants from other public agencies, while Developers make up the primary contributors of capital in the Special Revenue "PPDA Trust Fund." General Fund grant income is recorded on a reimbursement basis. Revenue is recognized on the accrual basis. Special Revenue "PPDA Trust Fund" contribution revenues represent the value of contributions by Developers of master plan facilities through the developer agreement process. These contributions do not create expendable resources.

### Other Financing Sources-Operating Transfers In:

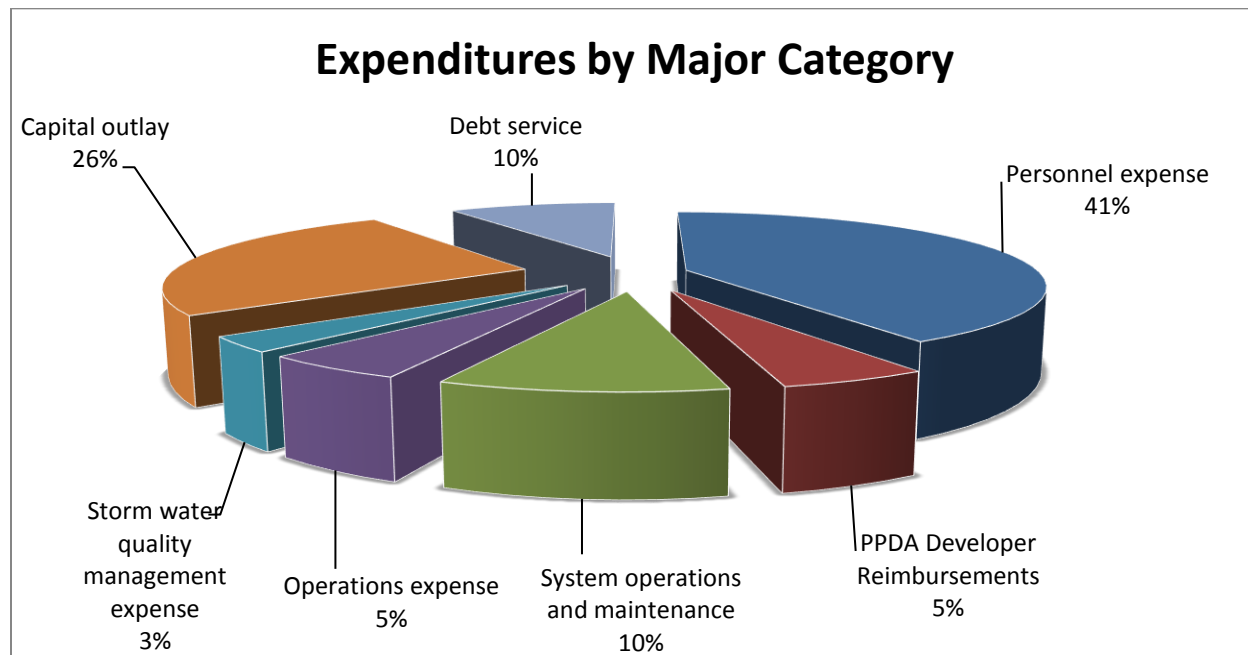
Operating Transfers represent the movement of cash from one fund to another. The Capital Project Fund is funded primarily from resources of the Special Revenue "PPDA Trust Fund" and allocations by the Board of available resources in the General Fund. The Debt Service Fund is funded primarily from the General Fund.

### ***EXPENDITURES***

Total expenditures were \$20,698,985. The following chart shows the expenditures by fund.



The following chart shows the expenditures by major category.



## PERSONNEL, SERVICES, AND SUPPLIES

- ❖ Personnel Expense represents all costs related to personnel including salaries, benefits, workers' compensation insurance, retirement plans, and temporary services. It represents 41% of total expenditures and was under budget approximately 7%.
- ❖ Operations Expense represents all operational expenses including liability insurance, office administration expenses, legal expenses, and supplies. It represents 5% of total expenditures and was under budget approximately 26%.
- ❖ Systems Operations and Maintenance includes all expenditures for maintaining the urban and rural drainage facilities. It represents 10% of total expenditures and was approximately 26% under budget. Maintenance expenditures vary based upon how the weather impacts the full implementation of the program.
- ❖ Stormwater Quality Management Expense represents those costs associated with the implementation of our NPDES permit. This account group represents 3% of total expenditures and was approximately 27% under budget.

## DEBT ADMINISTRATION

On June 30, 2017, the District had total loans outstanding of \$13.3 million as compared to \$14.6 million in the prior year. The major components of this balance include \$728 thousand for one California State Revolving Fund loan and \$12.5 million for our California Infrastructure and Economic Development Bank loan.

- ❖ CALIFORNIA STATE REVOLVING FUND (SRF) LOAN 2 was used almost exclusively for infrastructure purchases.

The total advances for SRF Loan #2 were \$10,000,000. As of June 30, 2017, it has been fully funded and has a balance due of \$728,094. Annual debt service payments are \$749,187 and are due each January 5<sup>th</sup>. The final payment is due January 5, 2018.

- ❖ CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK LOAN totaled \$20,000,000 and was used exclusively for infrastructure construction in an older area of the City of Fresno (Drainage Areas "II" & "RR"). As of June 30, 2010, the entire loan had been funded. Annual debt

service payments are about \$1.2 million. A principal and interest payment is due each August and interest only payments are due each February. The remaining principal balance due as of June 30, 2017, was \$12,508,768. The final payment is due July 30, 2030.

### **Other Long-Term Debt**

As of June 30, 2017, other long-term debt totaled \$1,276,359 and included \$1,167,571 in compensated absences and \$108,788 to the City of Fresno.

- ❖ Compensated Absences are the value of accumulated annual leave as of June 30, 2017. Employees can accumulate up to 100 days of service. Any accumulation of annual leave in excess of 100 days is paid out annually.
- ❖ Advance from the City of Fresno: The City of Fresno advanced the District \$175,000 without interest to assist in the construction of drainage facilities in drainage areas "KK", "LL", and "AW". The City has agreed to contribute the remaining loan balance of \$108,788 to the District as their share of the Economic Development Administration Grant.

### **Other Post-Employment Benefits (OPEB)**

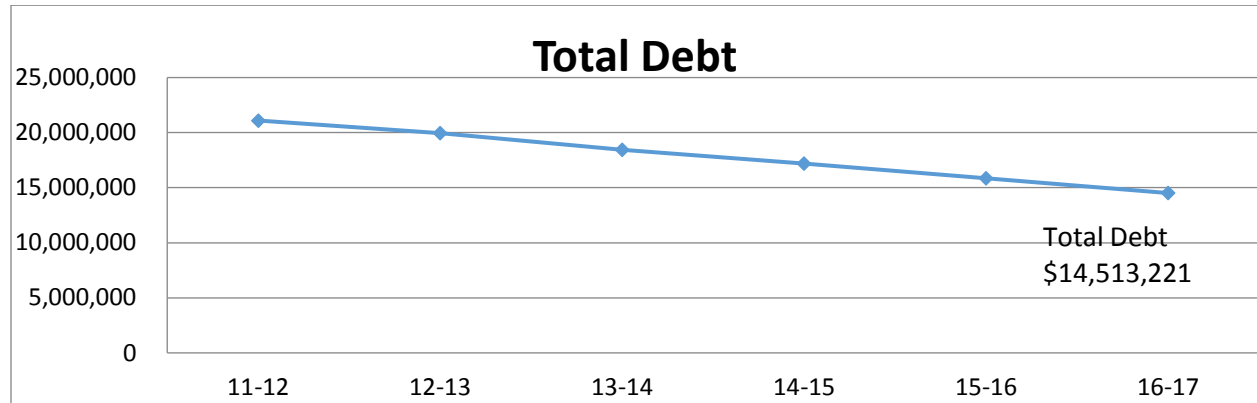
- ❖ Other Post-Employment Benefits is the actuarial value required to be accrued per GASB Statement No. 45 (see the Notes to the Financial Statements).
- ❖ For employees hired before May 8, 2013, the District subsidizes the health insurance cost for employees who retire after age 55 with at least 10 years of service. The District pays 50% of the "full benefit" for employees with more than 10 years of service but less than 15 years of service. The employees who retire after the age of 55 with more than 15 years of service receive a "full benefit".
- ❖ Employees hired after May 8, 2013 who retire after age 60 and have completed 15 years of service are eligible to receive a "full benefit".

**The Full Benefit:** There are two tiers of employee health benefits.

- ❖ For employees hired prior to July 1, 1988, the District pays either 100% of the cost of the employee's health insurance or 60% of the cost of the employee plus dependents premium.
  - ❖ For those employees hired after July 1, 1988 the District pays 100% of the cost of the employee's health insurance plus 60% of the cost of the additional dependent's premium.
- ❖ The District's Board is committed to fully fund the OPEB liability so it established a Trust fund and has made regular deposits to it to fund the OPEB liability. As of June 30, 2017, the cash balance in that fund was \$3,368,475. In addition, the Board has elected to continue to pay the retiree health premiums in addition to making annual contributions to the Trust fund.
- ❖ The District's retirement plan is a Defined Contribution plan similar to those found in many non-governmental entities. As a result, District employees tend to retire later than age 55. If this trend continues, then the OPEB liability is overstated as calculated under GASB Statement No. 45. The impact could reduce the annual required contribution of \$473,147 by as much as \$100,000. The contribution this year including the payment of retiree health benefits was \$596,012.
- ❖ The required actuarial computation includes an "Implicit Liability." This is that portion of the actuarial assumed liability related to the cost difference between an age based plan and a non-aged based plan. Aged based plans are uncommon in the public sector so as long as the District maintains a non-aged based plan, this implicit liability will never be realized. As of June 30, 2014, the date of the last actuarial computation, the unfunded liability of \$2,893,234 included an implicit liability component of \$572,790.

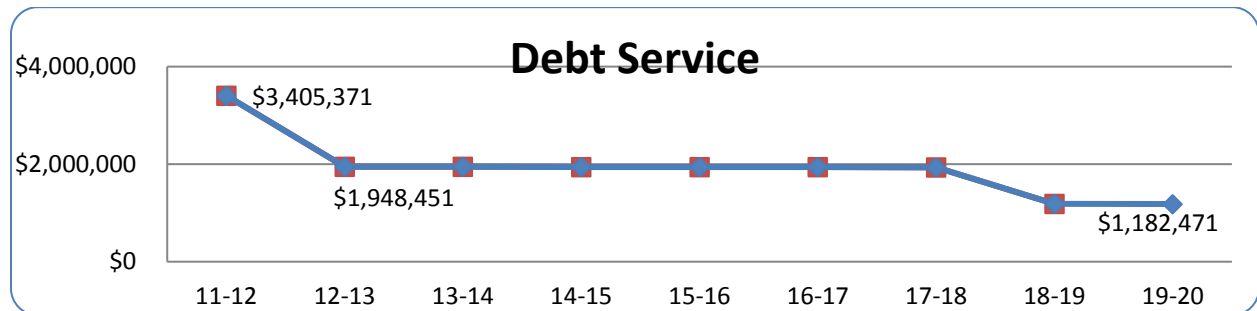
### Chart of Historical Total Long-Term Debt

Long-term debt was used primarily to finance the acquisition of land for basin sites and for the construction of the drainage system. The increase in long-term debt beginning in 2001 is primarily the result of a new \$20 million loan for the construction of the drainage system in Drainage Areas "II" and "RR".



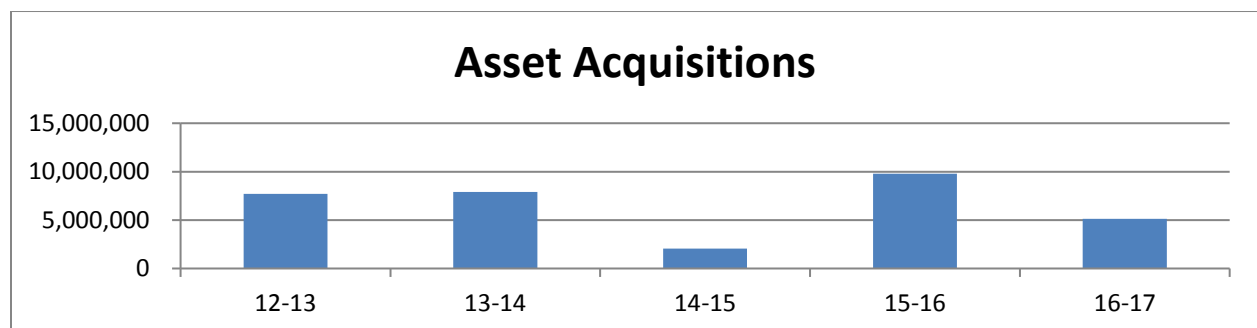
### Chart of Historical Debt Service

As of June 30, 2017, all loans had been fully funded. Debt service has stabilized and began a gradual decrease. The annual debt service for 2016-17 was \$1,939,384.



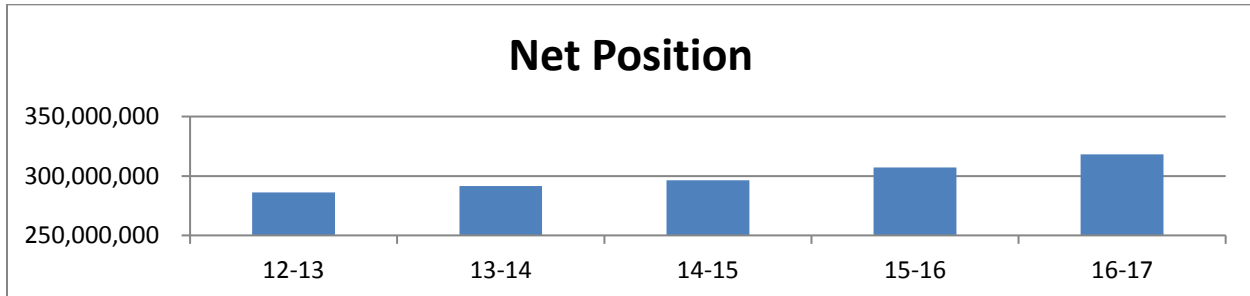
### CAPITAL ASSETS

**Capital Assets:** The District's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$274,353,534 (net of accumulated depreciation). The investment in capital assets includes land, easements, infrastructure, structures and improvements, equipment, and construction in progress. The total increase in the District's investment in capital assets for the current period is \$5,315,400. Current period depreciation is \$6,203,850. Retirements/ Adjustments of assets totaled \$19,860 net of depreciation.



### CHART OF NET POSITION

Over the last five years, net position has increased \$27,764,597. A principal reason for the increase is the District's and the Development Community's commitment to constructing new drainage area facilities. The District has constructed \$26,669,444 and the Development Community has constructed \$14,905,394 in drainage area facilities in the last 5 years.



Budgeted capital expenditures for 2016-17 were estimated at \$12,204,421 including \$850,000 in budget contingencies and construction reserves. Actual expenditures were \$3,972,953 net of \$855,646 for percentage incomplete as of June 30, 2017, plus \$1,368,111 for percentage incomplete as of June 30, 2016. Capital Expenditures in the Expendable Trust Fund totaled \$1,682,675 and were all from development activities. Major capital asset events during the current fiscal year included the following:

#### URBAN FACILITIES

Drainage area locations are provided to give the reader the general locations. All Drainage Areas are irregular shapes, as they are based on topography. For actual boundaries, please refer to the District's Storm Drainage and Flood Control Master Plan Map.

**Safety Frames and Chains:** \$97,152 to install safety frames and chains for drainage areas "6D", "A", "D", "G", "S", "U", "W", "X", "Y", "Z", "GG", "PP", "AZ", "BD", "BF", "BG", "BH", "BK", "BL", "BM", "BO", "BQ", "BS", "BU", and "BV". Over the last few years the district has experienced a number of thefts of its Inlet Covers. These contracts were for the installation of Safety Frames and Chains to deter theft and increase safety for the public.

**Drainage Area "3G":** This drainage area is located in Clovis near Locan & Barstow avenues. Construction and engineering costs incurred at the end of the fiscal year were \$267,555.

**Drainage Area "NN":** This drainage area is located near West Kearney Ave and South West Ave. Construction and engineering costs incurred at the end of the fiscal year were \$409,700.

**Drainage Area "AI":** This drainage area is located near Gettysburg and Hayes Ave. Construction and engineering costs incurred at the end of the fiscal year were \$116,080.

**Drainage Area "AX":** This drainage area is located near East Central and South Orange Avenue. Construction and engineering costs incurred at the end of the fiscal year were \$467,962.

**Drainage Area "BO":** This drainage area is located near East Belmont Ave and North Fowler Ave. Construction and engineering costs incurred at the end of the fiscal year were \$288,881.

**Drainage Area "CE":** This drainage area is located near East American Ave and South Chestnut Ave. Construction and engineering costs incurred at the end of the fiscal year were \$89,376.

**Drainage Area "CY":** This drainage area is located near East Alluvial Ave and North Cedar Ave. Construction and engineering costs incurred at the end of the fiscal year were \$78,937.

**Freeway 99 Projects:** These projects were in Drainage areas UU & XX which are located near McKinley and Freeway 99. Construction and engineering costs incurred at the end of the fiscal year were \$474,000.

## **RURAL FACILITIES**

**Big Dry Creek Detention Basin:** Construction and engineering costs incurred at the end of the fiscal year were \$512,358.

**Dry Creek Extension Basin:** Construction and engineering costs incurred at the end of the fiscal year were \$248,328.

**Pup Creek Enterprise Detention Basin:** Construction and engineering costs incurred at the end of the fiscal year were \$1,510,043.

**PPDA (Pre-Paid Drainage Assessment):** The District processed and completed twenty-two developer agreements during the fiscal year 2016-17. The total capital improvements were \$1,682,675.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year using the straight-line depreciation method. Fund financial statements record capital asset purchases as expenditures.

The District's infrastructure assets are recorded at historical costs in the government-wide financial statements as required by GASB Statement No. 34.

## **LOOKING INTO THE FUTURE**

The following summarizes the basic focus and direction of the 2017-18 Budget.

The Budget significantly advances the District commitment to support economic development initiatives of the Cities of Fresno and Clovis and County of Fresno by means of the following:

1. For another consecutive year, funding an economic development capital project program.
2. Continuing the system excavation program which produces a significant costs savings to the development community in reduced development fees.

As the District's inventory of completed facilities continues to increase, the non-capital expenditures will increase as a percentage of total expenditures. The District continues its commitment to the local economy by its use of local businesses for most of the maintenance services and capital construction programs.

A significant portion of the total storm drainage improvements constructed today occurs through the drainage ordinance process. The Budget continues to be pro-active toward constructing local drainage and flood control systems by allocating a portion of property and assessment revenues to Capital related projects. This includes budget support of drainage system construction in older neighborhoods, construction in support of development, and construction of the Rural Flood Control System.

The Budget continues the District's commitment to the environmental quality and compliance with the stormwater regulations. The total sum of \$836,600 was budgeted for continued water and soil monitoring activities, environmental analysis, and stormwater quality control programs and facilities. Also included is a parks and wildlife element in our Storm Drainage Master Plan.

The Budget addresses the growing operations, maintenance, and repair needs of the District's completed urban and rural facilities through budget allocations totaling \$2,546,200.

## **REQUEST FOR INFORMATION**

This Financial Report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Paul Merrill, Finance Manager, Fresno Metropolitan Flood Control District, 5469 East Olive Avenue, Fresno, California 93727. The District's website is at [www.fresnofloodcontrol.org](http://www.fresnofloodcontrol.org).

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 20,957,295
Receivable:	
Taxes	9,281
Developer	24,030
Fees and charges	1,015,100
Interest	24,778
Other	1,400,874
Restricted cash	40,191,634
Capital assets:	
Land	76,028,025
Structures and improvements	295,105,325
Office building	5,497,095
Furniture, fixtures, and equipment	4,164,503
Accumulated depreciation	(106,441,414)
Total Assets	<u>337,976,526</u>
<b>LIABILITIES</b>	
Accounts payable	2,883,035
Contracts payable (see supplementary schedule on pg. 64)	496,946
Salaries payable	225,787
Developer reimbursements	38,760
Non-current liabilities:	
Due within one year:	
Interest payable	249,851
Compensated absences	622,360
State revolving fund loan	728,094
CIEDB loan	696,604
Due in more than one year:	
Compensated absences	545,211
CIEDB loan	11,812,164
Other post employment benefits liability	1,474,748
Other debt	108,788
Total Liabilities	<u>19,882,348</u>
<b>NET POSITION</b>	
Net investment in capital assets	261,007,884
Restricted for:	
Debt service	1,830,917
Construction	35,544,859
Unrestricted	19,710,518
Total Net Position	<u><u>\$ 318,094,178</u></u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Total Governmental Activities
General government	\$ 10,802,608	\$ 2,373,462	\$ -	\$ (8,429,146)
Flood control system	8,730,958	-	8,164,922	(566,036)
Interest on long-term debt	534,785	-	-	(534,785)
Total	<u>\$ 20,068,351</u>	<u>\$ 2,373,462</u>	<u>\$ 8,164,922</u>	<u>(9,529,967)</u>
General revenues:				
Taxes:				
Property taxes				11,115,875
Assessment tax				8,242,464
Investment earnings and rental revenue				814,589
Miscellaneous				158,686
Gain on disposal of capital assets				<u>1,734</u>
Total general revenues				<u>20,333,348</u>
Change in net position				10,803,381
Net position - beginning				307,270,937
Prior period adjustment				<u>19,860</u>
Net position - beginning, restated				<u>307,290,797</u>
Net position - ending				<u>\$ 318,094,178</u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General	Capital Project	Debt Service	PPDA Trust Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 20,957,295	\$ -	\$ -	\$ -	\$ 20,957,295
Receivable:					
Taxes	9,281	-	-	-	9,281
Developer	-	-	-	14,215	14,215
Fees and charges	-	-	-	1,015,100	1,015,100
Interest	14,183	9,931	664	-	24,778
Other	1,400,874	-	-	-	1,400,874
Due from other funds	974,194	-	-	135,329	1,109,523
Restricted cash	-	21,816,856	1,830,253	16,544,525	40,191,634
Total Assets	<u>\$ 23,355,827</u>	<u>\$ 21,826,787</u>	<u>\$ 1,830,917</u>	<u>\$ 17,709,169</u>	<u>\$ 64,722,700</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 489,687	\$ 18,316	\$ -	\$ 2,375,032	\$ 2,883,035
Contracts payable (see supplementary schedule on page 64)	11,469	485,477	-	-	496,946
Salaries payable	225,787	-	-	-	225,787
Developer reimbursements	-	-	-	38,760	38,760
Due to other funds	-	256,063	-	853,460	1,109,523
Total Liabilities	<u>726,943</u>	<u>759,856</u>	<u>-</u>	<u>3,267,252</u>	<u>4,754,051</u>
<b>DEFERRED INFLOWS</b>					
Deferred inflow from grantors	<u>1,400,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400,874</u>
<b>FUND BALANCES</b>					
Restricted:					
Debt service	-	-	1,830,917	-	1,830,917
Drainage assessments	-	-	-	14,441,917	14,441,917
Committed:					
Construction	36,011	21,066,931	-	-	21,102,942
Assigned:					
General obligations	7,338,570	-	-	-	7,338,570
Unassigned	<u>13,853,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,853,429</u>
Total Fund Balances	<u>21,228,010</u>	<u>21,066,931</u>	<u>1,830,917</u>	<u>14,441,917</u>	<u>58,567,775</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 23,355,827</u>	<u>\$ 21,826,787</u>	<u>\$ 1,830,917</u>	<u>\$ 17,709,169</u>	<u>\$ 64,722,700</u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSTION  
JUNE 30, 2017**

Total fund balances - governmental funds	\$ 58,567,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds (net of accumulated depreciation of \$106,441,414).	274,353,534
Certain accrued revenues are not available to pay for current period expenditures, therefore, are deferred in the governmental funds. On the government-wide Statement of Net Position, they are recorded as revenues.	1,400,874
Certain revenues are not recognized in the governmental funds Balance Sheet because they are long-term in nature. On the government-wide Statement of Net Position, these revenues are recorded as receivables.	9,815
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds Balance Sheet. Long-term liabilities at year-end totaled:	<u>(16,237,820)</u>
Total net position - governmental activities	<u><u>\$ 318,094,178</u></u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Capital Project	Debt Service	PPDA Trust Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes and subventions	\$ 11,115,875	\$ -	\$ -	\$ -	\$ 11,115,875
Assessment tax revenue	8,242,464	-	-	-	8,242,464
Drainage fees - cash	-	-	-	4,258,209	4,258,209
Drainage fees - noncash	-	-	-	714,688	714,688
Fees and charges for services	2,373,462	-	-	-	2,373,462
Interest and rental revenue	331,643	250,877	14,319	217,750	814,589
Grants, loans, and contributions	1,116,260	-	-	1,085,028	2,201,288
Miscellaneous	158,686	-	-	-	158,686
<b>Total Revenues</b>	<b>23,338,390</b>	<b>250,877</b>	<b>14,319</b>	<b>6,275,675</b>	<b>29,879,261</b>
<b>Expenditures</b>					
Personnel expense	8,517,749	-	-	-	8,517,749
Office administration	199,229	-	-	-	199,229
Management support	81,641	-	-	-	81,641
Insurance	166,147	-	-	-	166,147
Professional services	172,850	-	-	-	172,850
Other administrative expense	267,289	-	-	1,089,144	1,356,433
System operations and maintenance	2,086,228	-	-	-	2,086,228
Operations center expense	205,065	-	-	-	205,065
Storm water quality management expense	658,859	-	-	-	658,859
Capital outlay	172,224	3,460,489	-	1,682,687	5,315,400
Debt service	-	-	1,939,384	-	1,939,384
<b>Total Expenditures</b>	<b>12,527,281</b>	<b>3,460,489</b>	<b>1,939,384</b>	<b>2,771,831</b>	<b>20,698,985</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,811,109	(3,209,612)	(1,925,065)	3,503,844	9,180,276
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,488,881	8,759,095	1,951,909	-	12,199,885
Transfers out	(10,504,928)	(22,183)	-	(1,672,774)	(12,199,885)
Proceeds from sale of assets	1,734	-	-	-	1,734
<b>Total Other Financing Sources (Uses)</b>	<b>(9,014,313)</b>	<b>8,736,912</b>	<b>1,951,909</b>	<b>(1,672,774)</b>	<b>1,734</b>
<b>Net Change in Fund Balances</b>	<b>1,796,796</b>	<b>5,527,300</b>	<b>26,844</b>	<b>1,831,070</b>	<b>9,182,010</b>
Fund Balances, Beginning of Year	19,431,214	15,519,771	1,804,073	12,610,847	49,365,905
Prior period adjustment	-	19,860	-	-	19,860
<b>Fund Balances, End of Year</b>	<b>\$ 21,228,010</b>	<b>\$ 21,066,931</b>	<b>\$ 1,830,917</b>	<b>\$ 14,441,917</b>	<b>\$ 58,567,775</b>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - governmental funds	\$ 9,182,010
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlay exceeded depreciation in the current period.	(868,590)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds. Under the full accrual basis of accounting they are recognized in the year they are earned.	1,008,517
Certain revenues are recognized in the current year in the government-wide Statement of Activities under the full accrual basis of accounting and are not recognized in the current year at the fund level. These revenues decrease receivables in the current year in the Statement of Net Position.	(17,780)
Compensated absences are measured by the amounts paid during the period in governmental funds. In the Statement of Activities, compensated absences are measured by the amount earned.	(37,205)
Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis of accounting. This year, the difference between the OPEB costs and the actual employer contributions was:	131,830
Repayment of principal on long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	<u>1,404,599</u>
Change in net position - governmental activities	<u><u>\$ 10,803,381</u></u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
POST-EMPLOYMENT MEDICAL BENEFITS PLAN TRUST FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

**ASSETS**

Investments	<u>\$ 3,368,475</u>
Total Assets	<u>3,368,475</u>

**NET POSITION RESTRICTED FOR OTHER  
POST-EMPLOYMENT BENEFITS**

\$ 3,368,475

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
POST-EMPLOYMENT MEDICAL BENEFITS PLAN TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

**ADDITIONS**

Employer contributions	\$ 612,315
Net investment income (loss)	314,162
Total Additions	<u>926,477</u>

**DEDUCTIONS**

Administrative expense	10,614
Benefit payments	112,315
Total Deductions	<u>122,929</u>
Net Increase in Net Position	<u>803,548</u>

**NET POSITION RESTRICTED FOR OTHER  
POST-EMPLOYMENT BENEFITS**

Beginning of year	<u>2,564,927</u>
Ending of year	<u><u>\$ 3,368,475</u></u>

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

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance with Final Budget
	Original	Final				
Revenues:						
Taxes and subventions	\$ 10,632,514	\$ 10,632,514	\$ 11,115,875	\$ -	\$ 11,115,875	\$ 483,361
Assessment tax revenue	8,333,854	8,333,854	8,242,464	-	8,242,464	(91,390)
Fees and charges for services	618,100	618,100	2,373,462	-	2,373,462	1,755,362
Interest and rental revenue	271,143	271,143	331,643	-	331,643	60,500
Grants, loans, and contributions	2,425,930	2,425,930	1,116,260	-	1,116,260	(1,309,670)
Miscellaneous	4,500	4,500	158,686	-	158,686	154,186
Total revenues	<u>22,286,041</u>	<u>22,286,041</u>	<u>23,338,390</u>	<u>-</u>	<u>23,338,390</u>	<u>1,052,349</u>
Expenditures:						
Personnel expense	9,145,400	9,145,400	8,494,167	(23,582)	8,517,749	627,651
Office administration	235,940	235,940	199,229	-	199,229	36,711
Management support	110,900	110,900	81,641	-	81,641	29,259
Insurance	206,445	206,445	166,147	-	166,147	40,298
Professional services	308,200	308,200	172,850	-	172,850	135,350
Other administrative expense	277,000	277,000	267,289	-	267,289	9,711
System operations and maintenance	2,546,200	2,546,200	2,086,228	-	2,086,228	459,972
Operations center expense	233,440	233,440	205,065	-	205,065	28,375
Storm water quality management expense	836,600	836,600	658,859	-	658,859	177,741
Capital outlay	434,880	434,880	172,224	-	172,224	262,656
Total expenditures	<u>14,335,005</u>	<u>14,335,005</u>	<u>12,503,699</u>	<u>(23,582)</u>	<u>12,527,281</u>	<u>1,807,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,951,036</u>	<u>7,951,036</u>	<u>10,834,691</u>	<u>23,582</u>	<u>10,811,109</u>	<u>2,860,073</u>
Other financing sources (uses):						
Transfers in	1,100,000	1,430,348	1,488,881	-	1,488,881	58,533
Transfers out	(11,906,347)	(12,236,695)	(10,504,928)	-	(10,504,928)	1,731,767
Proceeds from sale of assets	10,680	10,680	1,734	-	1,734	(8,946)
Total other financing sources (uses)	<u>(10,795,667)</u>	<u>(10,795,667)</u>	<u>(9,014,313)</u>	<u>-</u>	<u>(9,014,313)</u>	<u>1,781,354</u>
Net change in fund balance	(2,844,631)	(2,844,631)	1,820,378	23,582	1,796,796	4,641,427
Fund balance - beginning	<u>19,395,205</u>	<u>19,395,205</u>	<u>19,431,214</u>		<u>19,431,214</u>	<u>36,009</u>
Fund balance - ending	<u>\$ 16,550,574</u>	<u>\$ 16,550,574</u>	<u>\$ 21,251,592</u>		<u>\$ 21,228,010</u>	<u>\$ 4,677,436</u>

Explanation of Budget to GAAP differences:

Budget basis for payroll is on the cash basis, and adjustments include the reconciliation between cash and accrual payroll expenditures as follows:

Add: Prior year payroll accrual	202,205
Less: Current year payroll accrual	(225,787)
Total:	<u>\$ (23,582)</u>

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

## **FRESNO METROPOLITAN FLOOD CONTROL DISTRICT NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The Fresno Metropolitan Flood Control District (the District) was formed on June 26, 1956, under provisions of the Fresno Metropolitan Flood Control Act, Chapter 73 of the Water Code, and uncodified acts of the State of California. The District was organized to provide for the control and conservation of flood, storm, and other waste water in the Fresno, California, metropolitan area.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The accounts of the District are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

The financial statements consist of the following:

- Government-Wide Financial Statements-

The Statement of Net Position and the statement of activities display information about the District as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the District at fiscal year-end on a consolidated basis. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

- Fund Financial Statements-

The District's governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet – Governmental Funds. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. The exceptions to this rule are that principal and interest on long-term debt are recognized when due, and for District improvement contracts, the liability is recorded when the contract is awarded, offset by the percent incomplete.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenue, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The District reports the following major governmental funds:

The **General Fund** is the general operating fund of the District and accounts for all financial resources off the District except those required to be accounted for in another fund.

The **Capital Project Fund** is used to account for the proceeds of special revenue sources restricted for construction of capital facilities. The proceeds are a result of a portion of the levy of special assessments pursuant to the Municipal Improvement Act of the California Streets and Highways Code or levy of assessment taxes pursuant to the Fresno Metropolitan Flood Control Act, Chapter 73 of the Appendices to the California Water Code.

The **Debt Service Fund** is used to account for resources accumulated to pay principal and interest on long-term debt, including bonded assessments which are levied on specific properties to retire debt established to finance improvements of special benefit to those properties.

The **PPDA Trust Fund** is used to account for drainage fees collected from developers pursuant to local ordinance codes held by the District in a trustee capacity, which will be expended solely for construction of local drainage facilities within the area from which the fees were collected. The fund was established pursuant to the State of California Subdivision Map Act and local ordinances of the Cities of Fresno and Clovis, the County of Fresno, and the District itself.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

Developer fees are held in each planned local drainage area trust account. As the District and the development community construct master plan drainage facilities, they are reimbursed for their construction from these accounts, with the development community's construction having priority over the District's construction reimbursement. Following construction of all the master planned facilities within each planned local drainage area and the payment of all related claims from the trust account, the District shall determine by resolution the amount of surplus, if any, remaining in each fund. Any surplus shall be used for one of the following purposes:

- a) For transfer to the General Fund provided that the amount of the transfer shall not exceed five percent of the total amount expended from the particular fund, and provided that the funds transferred are used to support the operation and maintenance of those facilities for which the fees are collected;
- b) For the construction of additional or modified facilities within the particular drainage area; or
- c) As a refund in the manner provided in the California Government Code.

The emphasis in fund financial statements is on the major funds. Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures of either fund category or the government combined) for the determination of major funds. For the year ended June 30, 2017, all of the District's individual fund types qualified as major funds.

- **Fiduciary Funds –**

Fiduciary funds are used to account for assets and activities when a governmental unit is functioning as a trustee or an agent for another party. The District reports the following fiduciary fund:

The ***Post-Employment Medical Benefits Plan Trust Fund*** accounts for the activities of the District's post-employment health care benefits plan, which accumulates resources for post-employment benefit payments. This fund uses the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net position restricted for other post-employment benefits.

Accounts Receivable: The District utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2017, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Capital Assets: Capital assets are defined by the District as assets with estimated useful lives of more than one year. Capital assets purchased or constructed are reported at historical cost or estimated historical cost. In the case of acquisitions through gifts or contributions, such assets are recorded at fair value at the time received. The District records at cost the work performed for any construction contracts in progress at year-end. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets(continued):

Depreciable assets are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Structures and improvements:	50 years
Office building:	10-50 years
Furniture, fixtures and equipment:	4-10 years

Non-Exchange Transactions: Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property tax increments and other grants. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Capitalization of Interest: Interest incurred on debt during the construction of projects is not capitalized as a cost of the projects.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Balance Sheet – Governmental Funds will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows reported by the District consist of grant revenues that have been earned as of year-end, but not yet billed and collected within the revenue availability period in accordance with the modified accrual basis of accounting.

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 expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences: The District's obligation relating to employees' rights to receive compensation for future absences, which is attributable to services already rendered, is recorded in the General Fund. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Budget and Budgetary Accounting: An annual budget is adopted by the Board of Directors for the General Fund. The budget is adopted on a basis consistent with GAAP, except payroll, which is adopted on a cash basis and the budget does not adjust construction for percentage incomplete.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budget and Budgetary Accounting(continued):

No formal budget is adopted by the District for the PPDA Trust Fund, as all funds are restricted by statute, and thus they are excluded from the general funds computation and annual budget. As such, no budget to actual comparison is required to be presented as required supplementary information for the special revenue major fund in accordance with GAAP.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. The Statement of Net Position reports total net position and presents it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Amounts included as unrestricted net position are available for designation for specific purposes established by the District's Board of Directors. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- *Restricted* – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned* – Amounts the District *intends* to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Directors delegates the authority. This is also the classification for residual funds in the District's PPDA Trust Fund.
- *Unassigned* – The residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for a specific purpose exceed the amounts restricted, committed, or assigned to those purposes.

The District establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the District through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance (continued):

When both restricted and unrestricted resources are available for use, it is the District's informal policy/practice to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The District, as per its Internal Policy, is required to achieve and maintain unrestricted fund balance in the General Fund sufficient to cover approximately 6 months of working capital at the close of each fiscal year, which exceeds the recommended level (approximately 60 days working capital) promulgated by the Government Finance Officers Association (GFOA).

Tax/Assessment Tax Payment Delinquencies: On October 12, 1993, the Fresno County (the County) Board of Supervisors voted to adopt an alternate method of tax/assessment tax apportionment known as the Teeter Plan, effective fiscal year 1993-94. The Teeter Plan provided a one-time fiscal benefit during fiscal year 1993-94 and in future years offers the District a consistent and predictable amount of tax/assessment tax revenue unaffected by delinquent tax payments. This is accomplished by the fact that the District will receive 100% of its current secured and supplemental tax levy, not just the amount collected, with the County owning the delinquent receivable. The County will apportion the revenue in three installments throughout the year. The Teeter Plan does not apply to unsecured taxes.

Unsecured taxes are due periodically throughout the year and become delinquent, if unpaid, on August 31. The lien date for unsecured tax/assessment tax is March 1 of the preceding fiscal year. All tax/assessment taxes are levied and collected by the County Auditor and are paid to the District as described above.

Tax/assessment tax revenues related to current secured and supplemental taxes are recognized in the fiscal year in which they are levied, due to the adoption of the Teeter Plan. Also, the adoption of the Teeter Plan eliminates the need for a receivable for these types of property taxes. Tax/assessment tax revenues related to unsecured taxes are recognized in the fiscal year for which they become available. Available means when due, past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Interfund Transfers: The District records the annual transfer from the PPDA Trust Fund to the General Fund when approved by the Board of Directors, which is typically subsequent to year-end. As a result, the transfer recorded for the year ended June 30, 2017, relates to activity from the year ended June 30, 2016. All other transfers relate to activity for the year ended June 30, 2017.

All interfund transfers are operating transfers, which are transfers from a fund receiving the revenue to the fund which has expended the resources. All of the interfund transfers are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables and Payables: Short-term amounts owed between funds are classified as "due to/from other funds" and are subject to elimination upon consolidation.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Accounting Standards Update: During the year ending June 30, 2017, the District implemented the following standards:

GASB Statement No. 73 – *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The provisions of this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016.

GASB Statement No. 77 – *Tax Abatement Disclosures.* The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans.* The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants.* The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements.* The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans.* The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Accounting Standards Update (continued):

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 31, 2017, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND INVESTMENTS**

Statutes authorize the District to invest in the County Treasury, Local Agency Investment Fund, U.S. Treasury and registered state warrants, notes, bonds, bills or certificates, commercial paper, repurchase agreements, and other similar instruments. The District's investments, which approximated market value at June 30, 2017, was invested in the County Treasury.

Cash and investments and maturities as of June 30, 2017, are as follows:

	Fair Value	Less Than One	1-5
Cash in banks	\$ 941,256	\$ 941,256	\$ -
County Treasury	60,207,673	60,207,673	-
Total	<u>\$ 61,148,929</u>	<u>\$ 61,148,929</u>	<u>\$ -</u>

The District's investment is collateralized with pools of securities held by the Fresno County Treasury, but not in the District's name. The investment policies of the County are governed by state statute and an adopted investment policy with oversight by the County Treasury Investment Committee.

The County Treasury is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

State statutes and the County of Fresno investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasury.

For full disclosures regarding interest rate risk, credit risk, and fair value measurements, see the County of Fresno Comprehensive Annual Financial Report for the year ended June 30, 2017.

Custodial Credit Risk: The District maintains cash with qualified financial institutions. At various times such amounts may be in excess of insured limits. As of June 30, 2017, \$691,256 were in excess of the FDIC limit (\$250,000). Management considers this a normal business risk, and has not experienced any losses in the past.

Restricted Cash: Receipts from the Capital Project and the PPDA Trust Funds are classified as restricted cash because their use is limited to planned construction and repayment of related debt service obligations. Cash held in the Debt Service Fund is classified as restricted cash as amounts are held for future payments on long-term debt of the District.

**NOTE 3 – CAPITAL ASSETS**

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

	Balance June 30, 2016	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 76,015,300	\$ 12,725	\$ -	\$ 76,028,025
Total capital assets not being depreciated	76,015,300	12,725	-	76,028,025
Capital assets being depreciated:				
Structures and improvements	289,957,636	5,127,829	19,860	295,105,325
Office building	5,492,724	4,371	-	5,497,095
Furniture, fixtures, and equipment	3,994,028	170,475	-	4,164,503
Total capital assets being depreciated	299,444,388	5,302,675	19,860	304,766,923
Less accumulated depreciation for:				
Structures and improvements	(95,622,511)	(5,845,909)	-	(101,468,420)
Office building	(1,980,510)	(121,014)	-	(2,101,524)
Furniture, fixtures, and equipment	(2,634,543)	(236,927)	-	(2,871,470)
Total accumulated depreciation	(100,237,564)	(6,203,850)	-	(106,441,414)
Total capital assets being depreciated, net	199,206,824	(901,175)	19,860	198,325,509
Total capital assets, net	\$ 275,222,124	\$ (888,450)	\$ 19,860	\$ 274,353,534

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 3 – CAPITAL ASSETS (continued)**

Depreciation expense was charged as a direct expense to the following governmental activities for the year ended June 30, 2017 as follows:

General government	\$ 217,979
Flood control system	<u>5,985,871</u>
	<u>\$ 6,203,850</u>

**NOTE 4 – LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2017, is summarized as follows:

	Balance June 30, 2016	Additions	Expenditures	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 1,130,366	\$ 670,171	\$ (632,966)	\$ 1,167,571	\$ 622,360
State revolving fund loan	1,437,115	-	(709,021)	728,094	728,094
CIEDB loan	13,180,323	-	(671,555)	12,508,768	696,604
Other post-employment benefits (OPEB)	1,606,578	456,138	(587,968)	1,474,748	-
Other long-term debt	108,788	-	-	108,788	-
	<u>\$ 17,463,170</u>	<u>\$ 1,126,309</u>	<u>\$ (2,601,510)</u>	<u>\$ 15,987,969</u>	<u>\$ 2,047,058</u>

**NOTE 5 – OTHER LONG-TERM DEBT PAYABLE**

Construction advance received from the City of Fresno for drainage facilities in an area known as the "Industrial Triangle" (Drainage Area "KK", "LL", and "AW"). Repayment to begin when the area is 40% developed and to be equal to drainage assessments from the area collected subsequent to that time and continuing until either fully repaid or the area is 80% developed, at which time any amount then unpaid is due. As of June 30, 2017, 47% of the area within the boundaries of the Industrial Triangle has been developed from drainage fee proceeds. The City of Fresno has authorized the District to defer payments and allow the District to use drainage fee revenue to construct Master Plan Facilities. Following completion of the required construction, and after payment of other agreements with chronological priority preceding the date of the required construction, the District will forward any additional fee revenue to the City of Fresno pursuant to all other terms of the agreement.

\$ 108,788

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 6 – STATE REVOLVING FUND (SRF) LOAN**

Revolving loan with the State of California in the maximum amount of \$10,000,000, dated July 1, 1997. Principal and interest shall be payable in 20 annual installments beginning one year from the date of the first advance, which was January 5, 1998. Repayment is to be made from drainage fees paid with the General Fund as a secondary source of funding should drainage fees prove inadequate to meet the loan repayment obligation. The full amount of \$10,000,000 has been loaned to the District. The interest rate in effect at June 30, 2017, was 2.8%.

\$ 728,094

Future debt service payments on the SRF loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 728,094</u>	<u>\$ 20,387</u>	<u>\$ 748,481</u>
	<u>\$ 728,094</u>	<u>\$ 20,387</u>	<u>\$ 748,481</u>

Total interest expense on the SRF loan for the year ended June 30, 2017 was \$40,236.

**NOTE 7 – CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (CIEDB) LOAN**

Loan with the CIEDB in the maximum amount of \$20,000,000, dated May 1, 2001. As of June 30, 2001, interest only payments shall be payable in four semiannual installments beginning August 1, 2001. Beginning August 1, 2003, principal shall be payable in 28 annual installments and interest shall be payable in 56 semiannual installments. Interest is payable at the rate of 3.73%. Repayment is to be made from Assessment Tax Revenues collected with the General Fund and any other source of funds legally available for the purpose of making the annual payment as secondary sources of funding should Assessment Tax Revenues be inadequate to meet the loan repayment obligation. Collateral consists of a pledge and first lien on all of the Assessment Tax Revenues and all amounts in the Assessment Tax Revenues Special Revenue Fund. The full amount of \$20,000,000 has been loaned to the District.

\$ 12,508,768

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (CIEDB) LOAN (continued)**

Future debt service payments on the CIEDB loan are as follows:

Year	Principal	Interest	Total
2018	696,604	491,112	1,187,716
2019	722,588	462,554	1,185,142
2020	749,540	432,932	1,182,472
2021	777,498	402,203	1,179,701
2022	806,499	370,329	1,176,828
2023-2027	4,506,808	1,330,336	5,837,144
2028-2031	4,249,231	357,134	4,606,365
	<u>\$ 12,508,768</u>	<u>\$ 3,846,600</u>	<u>\$ 16,355,368</u>

Total interest expense on the CIEDB loan for the year ended June 30, 2017 was \$518,642.

**NOTE 8 – INTERFUND ACTIVITY**

The following is a summary of amounts due from and due to other funds as of June 30, 2017:

Due to and due from other funds:

To General Fund:	
From Capital Project Fund	\$ 120,734
From PPDA Trust Fund	853,460
To PPDA Trust Fund:	
From Capital Project Fund	<u>135,329</u>
	<u>\$ 1,109,523</u>

The following is a summary of transfers in and out during the year ended June 30, 2017:

Transfers in and transfers out:

To General Fund:	
From Capital Project Fund	\$ 22,183
From PPDA Trust Fund	1,466,698
To Capital Project Fund:	
From General Fund	8,553,019
From PPDA Trust Fund	206,076
To Debt Service Fund:	
From General Fund	<u>1,951,909</u>
	<u>\$ 12,199,885</u>

The transfers to the General Fund from the PPDA Trust Fund are to reimburse the General Fund for construction activity. Total transfers of \$1,488,881 were transferred to the General Fund as reimbursement for construction activity.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 8 – INTERFUND ACTIVITY (continued)**

The transfers from the General Fund to the Capital Project Fund were for allocation of assessment tax and payment of capital projects, totaling \$8,533,019. The transfers from the General Fund to the Debt Service Fund were for allocation of assessment and property taxes, in accordance with debt agreements to fund debt service payments, and totaled \$1,951,909.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

The Fresno Metropolitan Flood Control District Pension Plan (the Plan) is a defined contribution pension plan established by the Board of Directors of the District. The Plan covers all full-time employees who have completed at least six months of continuous service and have attained the age of eighteen. Monthly employer contributions for employees hired prior to June 30, 1988, are 14% of the employees' salary. Monthly employer contributions for employees hired after June 30, 1988, are 10% of the employees' salaries. Participants are 25% vested after two years of service and an additional 25% after each additional year until they are fully vested. District contributions for, and interest forfeited by, employees who leave employment before becoming 100% vested are used to reduce the District's current period contribution requirement. Plan provisions and contribution requirements are established and may be amended by the Administrative Committee of the Board of Directors of the District. The District made the required contribution amounting to \$567,486 as of June 30, 2017.

The Plan issues a stand-alone financial report that can be reviewed at the District office located at 5469 East Olive Avenue, Fresno, California 93727.

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Plan Description: The District provides the following post-employment health care benefits in accordance with District employment contracts:

- For employees hired before May 8, 2013, the District subsidizes the health insurance cost for employees who retire after age 55 with at least 10 years of service. The District pays 50% of the "full benefit" for employees with more than 10 years of service but less than 15 years of service. The employees who retire after the age of 55 with more than 15 years of service receive a "full benefit".
- Employees hired after May 8, 2013 who retire after age 60 and have completed 15 years of service are eligible to receive a "full benefit".

The **Full Benefit:** There are two tiers of employee health benefits.

- For employees hired prior to July 1, 1988, the District pays either 100% of the cost of the employee's health insurance or 60% of the cost of the employee plus dependents premium.
- For those employees hired after July 1, 1988, the District pays 100% of the cost of the employee's health insurance plus 60% of the cost of the additional dependent's premium.

Contributions: The District contribution varies by employee classification up to 100% of the amount of employee only premium incurred by retirees and 60% of the premium incurred for their dependents. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$596,012 were recognized for retirees' health care benefits, including \$5,890 of administrative fees charged by the investment manager.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Plan Description(continued):

The approximate actuarial accrued liability for the District at June 30, 2015, amounts to \$4,558,707. This is offset by the actuarial value of assets at June 30, 2015, of \$1,665,473, resulting in an approximated unfunded liability of \$2,893,234 as of June 30, 2015. These amount were calculated based upon an actuarial valuation by Demsey Filliger dated as of June 30, 2015.

The District participates in an industry association plan (ACWA/JPIA) that has about 300 employer members. There are two providers in the plan: Kaiser and Blue Cross/Blue Shield (BCBS) that offer PPO and HMO plans. The same benefit options are available to retirees as active employees. Upon reaching Medicare eligibility, the plans do not coordinate with Medicare. There is a small rate decrease for retirees who opt for Medicare Part B. Kaiser plans are fully-insured while BCBS plans are self-insured. The District employees represent a very small percentage of the pool for the BCBS plans and, thus, these plans are assumed to be community-rated with no implicit subsidy to the District. The District employees represent approximately 6% of the pool for the Kaiser plans and, thus, these plans are not assumed to be community-rated. There will be a GASB implicit subsidy to the District for employees enrolled in this plan.

Annual Required Contribution and Net OPEB Obligation: The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the year ended June 30, 2017, the District's annual OPEB cost was \$456,138.

The District has calculated and recorded the net OPEB Obligation (Asset), representing the difference between the ARC, amortization, and contributions for the year ended June 30, 2017 as follows:

Annual required contribution	\$ 473,147
Interest on net OPEB obligation	112,460
Adjustments to annual required contribution	<u>(129,469)</u>
Annual OPEB cost	456,138
Contributions made	<u>587,968</u>
Change in net OPEB obligation	(131,830)
Net OPEB obligation - beginning of year	<u>1,606,578</u>
Net OPEB obligation - end of year	<u><u>\$ 1,474,748</u></u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Annual Required Contribution and Net OPEB Obligation(continued):

The District's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the previous three (3) years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
2015	\$ 455,680	\$ 476,831	104.64%	\$ 1,628,804
2016	\$ 455,903	\$ 478,129	104.88%	\$ 1,606,578
2017	\$ 456,138	\$ 587,968	128.90%	\$ 1,474,748

Funding Policy, Funding Status and Funding Progress: The District's required contribution is based on pay-as-you-go financing requirements. For the year ended June 30, 2017, the District contributed \$587,968 to the plan.

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,558,707. This is offset by the actuarial value of assets at June 30, 2015, of \$1,665,473, resulting in an approximated unfunded liability of \$2,893,234 as of June 30, 2015. The covered payroll (annual payroll of active employees covered by the plan) was \$5,492,545 and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 53%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the ARCs of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding health care inflation and interest were based on a standard set of actuarial assumptions modified as appropriate for the District. Turnover rates are based on California Public Employees Retirement System (CalPERS) State Tier 2 non-vested rates modified to fit the District's termination experience for the past five years. Retirement rates were also based on District experience.

Health care inflation rates are based on actuarial analysis of recent District experience and actuarial knowledge of the general health care environment.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

Actuarial Methods and Assumptions(continued):

The actuarial assumption to determine the cost of covering early retirees (those under the age of 65) was an age-specific claims cost matrix fitted to the average estimated equivalent one-party premium for the current retiree group. Discount rate and return on assets of 7% and 7%, respectively, were used.

**NOTE 11 – POST-EMPLOYMENT MEDICAL BENEFITS PLAN TRUST FUND**

The District has established an irrevocable trust with Public Agency Retirement Services (PARS) to accumulate resources strictly for post-employment benefit payments. Due to the establishment of this trust fund, GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB No. 74) has defined the Trust Fund as an agent multiple-employer defined benefit OPEB plan (the Plan). As the Plan sponsor, the District has elected to present the Plan trust fund as a fiduciary fund in the District's basic financial statements instead of issuing stand-alone financial statements. The following note disclosures and required supplementary information on pages 54 and 55, are required in accordance with the implementation of GASB No. 74 for the Plan.

PARS issues a separate annual financial report, and copies of the report may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660, or by calling (800) 540-6369.

*Plan membership.* At July 1, 2014, membership consisted of the following:

Inactive plan membes or beneficiaries currently receiving benefit payments	10
Active plan members	72

Investments:

*Investment Policy.* The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The District has selected a balanced objective, which has a dual goal of growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital will comprise a larger portion of the total return. The asset allocation ranges for this objective as of June 30, 2017, are listed below:

Strategic Asset Allocation Ranges			
	Cash	Fixed Income	Equity
Stated Range	0- 20%	30%- 50%	50&- 70%

*Rate of return.* For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 11 – POST-EMPLOYMENT MEDICAL BENEFITS PLAN TRUST FUND (continued)**

Net OPEB Liability:

The components of the net OPEB liability at June 30, 2017, were as follows:

Total OPEB Liability	\$ 6,852,479
Plan fiduciary net positions	3,368,475
Net OPEB Liability	<u>\$ 3,484,004</u>
Plan fiduciary net position as a percentage of the total OPEB liability	49.16%

The net OPEB liability is not recorded in the fiduciary fund statements as the liability is the responsibility of the District as the plan sponsor. The District will record the full net OPEB liability upon the implementation of GASB No. 75 during fiscal year ended June 30, 2018. This information is presented along with the Post-Employment Medical Benefits Trust Fund as required by GASB No. 74.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Investment rate of return	7.00 percent, net of OPEB plan investment expense
Healthcare cost trend rate	8.00 percent for 2014; 7.00 percent for 2015; 6.00 percent for 2016; and 5.00 percent for 2017 and later years

Pre-retirement mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, without static projection to 2012. Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, without static projection to 2012.

Actuarial assumptions used in the July 1, 2014 valuation were based on a review of plan experience during the period July 1, 2011 to June 30, 2014.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return 7.88 percent.

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS PLAN TRUST FUND (continued)**

Net OPEB Liability(continued):

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability (asset)	4,479,347	3,484,004	2,660,080

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00 percent decreasing to 4.00 percent) or 1- percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 4.00%)	Discount Rate (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Net OPEB liability (asset)	2,380,071	3,484,004	4,876,728

*Benefit payments.* Includes \$98,591 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of \$13,724.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

Litigation: The District is a party to a number of lawsuits, claims, and eminent domain litigation arising out of the conduct of its operation. While the ultimate results of lawsuits or other proceedings against the District cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial position or results of operations of the District.

Construction Projects: The District has executed construction contracts for system improvements of \$2,219,923. The financial statements have \$496,946 recorded, which reflects the percent of the contract completed at June 30, 2017, and the District has remaining commitments under the contracts of \$1,722,977.

**NOTE 13 – RISK MANAGEMENT**

The District has entered into a joint powers authority agreement along with other members of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) to form a self-insuring pool for liability coverage up to \$500,000. Insurance in excess of \$500,000 is collectively purchased through excess policies covering all included members. The excess insurance is for \$39,500,000 per occurrence for a total coverage of \$40,000,000.

The ACWA JPIA is governed by a board of directors composed of one representative from each member agency. The JPIA governing board controls the operation of the ACWA JPIA, independent of any influence by the District other than the District's representation on the governing board.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 13 – RISK MANAGEMENT (continued)**

The ACWA JPIA is independently accountable for its fiscal matters. The ACWA JPIA maintains its own accounting records. The ACWA JPIA's budget is not subject to any approval other than that of its governing board.

The relationship between the District and the ACWA JPIA is such that the ACWA JPIA is not a component unit of the District for financial reporting purposes.

Separate financial statements of the ACWA JPIA are available upon request at 2100 Professional Drive, Roseville, California 95661, (916) 786-5742. Condensed financial information for the ACWA JPIA's most recent year audited is shown below:

JPIA	September 30, 2016
Total assets	\$ 189,566,761
Deferred outflows of resources	1,065,779
Total liabilities	121,474,323
Deferred inflows of resources	<u>454,600</u>
Net position	<u>\$ 68,703,617</u>
Total revenues	\$ 149,371,770
Total expenditures	<u>161,601,971</u>
Net decrease in fund balance	<u>\$ (12,230,201)</u>

During the year ending June 30, 2017, there were no reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$19,860 was recorded to the capital project fund and governmental activities to correct additions to structures and improvements reported in the prior year.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**

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**REQUIRED SUPPLEMENTARY INFORMATION**

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR OTHER  
POST-EMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2017**

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2009	\$ -	\$ 4,853,181	\$ 4,853,181	0%	\$ 5,054,764	96%
2012	\$ 305,208	\$ 3,715,339	\$ 3,410,131	8%	\$ 5,517,049	62%
2015	\$ 1,665,473	\$ 4,558,707	\$ 2,893,234	37%	\$ 5,492,545	53%

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
POST-EMPLOYMENT MEDICAL BENEFITS PLAN  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017  
LAST 10 FISCAL YEARS\***

	<u>2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 200,747
Interest	438,896
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments <sup>1</sup>	(112,315)
<b>Net change in total OPEB liability</b>	<u>527,328</u>
<b>Total OPEB Liability - beginning</b>	<u>6,325,151</u>
<b>Total OPEB Liability - ending (a)</b>	<u>6,852,479</u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	612,315
Net investment income	314,162
Benefit payments <sup>2</sup>	(112,315)
Administrative expense	(10,614)
<b>Net change in plan fiduciary net position</b>	<u>803,548</u>
<b>Plan fiduciary net position</b>	<u>2,564,927</u>
<b>Plan fiduciary net position (b)</b>	<u>3,368,475</u>
 <b>Net OPEB liability - ending (a)-(b)</b>	 <u><u>\$ 3,484,004</u></u>

1. Includes benefits paid from trust with implied subsidies and benefits paid from other sources with implied subsidy.
2. Includes benefits paid from trust (but no implied subsidy) and benefits from other sources with implied subsidy.

\* Fiscal Year 2017 was the 1<sup>st</sup> year of implementation, therefore; only one year is shown.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
POST-EMPLOYMENT MEDICAL BENEFITS PLAN  
SCHEDULES OF NET OPEB LIABILITY AND  
INVESTMENT RETURNS  
FOR THE YEAR ENDED JUNE 30, 2017  
LAST 10 FISCAL YEARS\***

**Schedule of Net OPEB Liability**

	<b>2017</b>
<b>Total OPEB Liability</b>	\$ 6,852,479
Plan fiduciary net position	3,368,475
<b>Net OPEB liability (asset)</b>	<b>\$ 3,484,004</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 49.16%
 <b>Covered payroll</b>	 5,614,136
<b>Net OPEB liability (asset) as a percentage of covered payroll</b>	<b>62.06%</b>

**Schedule of Investment Returns**

	<b>2017</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	10.65%

\* Fiscal Year 2017 was the 1<sup>st</sup> year of implementation, therefore; only one year is shown.

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**

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**COMBINING FUND FINANCIAL STATEMENTS**

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND  
JUNE 30, 2017**

	<u>Total</u>	<u>CIEDB Loan</u>	<u>SRF Loan</u>
<b>ASSETS</b>			
Restricted cash	\$ 1,830,253	\$ 1,031,401	\$ 798,852
Interest Receivable	<u>664</u>	<u>364</u>	<u>300</u>
Total assets	<u>\$ 1,830,917</u>	<u>\$ 1,031,765</u>	<u>\$ 799,152</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for debt service	<u>1,830,917</u>	<u>1,031,765</u>	<u>799,152</u>
Total liabilities and fund balances	<u>\$ 1,830,917</u>	<u>\$ 1,031,765</u>	<u>\$ 799,152</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u><b>Total</b></u>	<u><b>CIEDB Loan</b></u>	<u><b>SRF Loan</b></u>
Revenues:			
Interest	<u>\$ 14,319</u>	<u>\$ 5,384</u>	<u>\$ 8,935</u>
Expenditures:			
Debt service	<u>1,939,384</u>	<u>1,190,197</u>	<u>749,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,925,065)</u>	<u>(1,184,813)</u>	<u>(740,252)</u>
Other financing sources (uses):			
Transfers in	1,951,909	1,202,722	749,187
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>1,951,909</u>	<u>1,202,722</u>	<u>749,187</u>
Net change in fund balances	26,844	17,909	8,935
Fund balances, beginning of year	<u>1,804,073</u>	<u>1,013,856</u>	<u>790,217</u>
Fund balances, end of year	<u><u>\$ 1,830,917</u></u>	<u><u>\$ 1,031,765</u></u>	<u><u>\$ 799,152</u></u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUND  
JUNE 30, 2017**

	<b>Total</b>	<b>Capital Construction Fund</b>	<b>Land</b>	<b>Basin D</b>	<b>Park Fund</b>
<b>ASSETS</b>					
Interest Receivable	\$ 9,931	\$ 8,006	\$ 1,749	\$ 7	\$ 169
Restricted cash	21,816,856	17,707,207	3,731,666	14,411	363,572
Total assets	<u>\$ 21,826,787</u>	<u>\$ 17,715,213</u>	<u>\$ 3,733,415</u>	<u>\$ 14,418</u>	<u>\$ 363,741</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 18,316	\$ 18,316	\$ -	\$ -	\$ -
Contracts payable	485,477	485,477	-	-	-
Due to other funds	256,063	256,063	-	-	-
Total liabilities	<u>759,856</u>	<u>759,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Committed for construction	<u>21,066,931</u>	<u>16,955,357</u>	<u>3,733,415</u>	<u>14,418</u>	<u>363,741</u>
Total fund balances	<u>21,066,931</u>	<u>16,955,357</u>	<u>3,733,415</u>	<u>14,418</u>	<u>363,741</u>
Total liabilities and fund balances	<u>\$ 21,826,787</u>	<u>\$ 17,715,213</u>	<u>\$ 3,733,415</u>	<u>\$ 14,418</u>	<u>\$ 363,741</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
CAPITAL PROJECT FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Total</b>	<b>Capital Construction Fund</b>	<b>Land</b>	<b>Basin D</b>	<b>Park Fund</b>
Revenues:					
Interest	\$ 250,877	\$ 191,474	\$ 54,069	\$ 208	\$ 5,126
Total revenues	250,877	191,474	54,069	208	5,126
Expenditures:					
Capital outlay	3,460,489	3,460,489	-	-	-
Total expenditures	3,460,489	3,460,489	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(3,209,612)	(3,269,015)	54,069	208	5,126
Other financing sources (uses):					
Transfers in	8,759,095	8,749,963	-	-	9,132
Transfers out	(22,183)	(22,183)	-	-	-
Total other financing sources (uses)	8,736,912	8,727,780	-	-	9,132
Net change in fund balances	5,527,300	5,458,765	54,069	208	14,258
Fund balances, beginning of year	15,519,771	11,476,732	3,679,346	14,210	349,483
Prior period adjustment	19,860	19,860	-	-	-
Fund balances, end of year	<u>\$ 21,066,931</u>	<u>\$ 16,955,357</u>	<u>\$ 3,733,415</u>	<u>\$ 14,418</u>	<u>\$ 363,741</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**

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**SUPPLEMENTARY SCHEDULES**

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund - Budgetary Basis		
	Budget	Actual	Variance with Final Budget
Revenues:			
Taxes:			
Property taxes - current	\$ 9,833,661	\$ 10,193,285	\$ 359,624
Property taxes - prior year levies	24,870	24,461	(409)
General subventions	159,477	274,898	115,421
Other	614,506	623,231	8,725
Assessment tax revenue	8,333,854	8,242,464	(91,390)
Interest revenue	206,190	271,938	65,748
Grant revenue	2,212,930	1,107,521	(1,105,409)
Construction contributions	213,000	8,739	(204,261)
Fees and charges for services:			
Non-conforming facilities fees	40,000	198,835	158,835
Master plan engineering fees	145,000	256,005	111,005
Excavation permit fees	175,000	1,322,050	1,147,050
Recharge maintenance	88,000	178,544	90,544
PPDA administration fees	10,000	40,456	30,456
Other fees and charges	160,100	377,572	217,472
Rental income	64,953	59,705	(5,248)
Miscellaneous	4,500	158,686	154,186
Other financing sources:			
Transfers in	1,430,348	1,488,881	58,533
Revenue from sale of assets	10,680	1,734	(8,946)
 Total revenues and other financing sources	 23,727,069	 24,829,005	 1,101,936
Expenditures:			
Personnel expense:			
Salaries, regular and part-time	6,208,880	5,654,332	554,548
Payroll related taxes	430,320	415,326	14,994
Employee insurance	1,065,180	1,034,596	30,584
Workers' compensation	101,920	82,020	19,900
Retirement	611,500	567,486	44,014
Annual leave	133,600	134,428	(828)
OPEB contribution	584,000	596,012	(12,012)
Unemployment insurance	-	3,150	(3,150)
Temporary help	10,000	6,817	3,183
 Total personnel expense	 9,145,400	 8,494,167	 651,233

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund - Budgetary Basis		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Office administration:			
General office supplies	49,000	59,995	(10,995)
Records and maps	25,000	13,937	11,063
Reproduction	8,450	6,946	1,504
Office equipment maintenance	92,000	75,495	16,505
Communications	51,240	34,221	17,019
Postage	7,500	5,176	2,324
Printing	2,600	3,415	(815)
Courier service	150	44	106
Total office administration	235,940	199,229	36,711
Management support:			
Conferences and meetings	31,600	26,905	4,695
General management	43,300	45,243	(1,943)
Professional education	36,000	9,493	26,507
Total management support	110,900	81,641	29,259
Insurance:			
Employee bonding	1,750	1,738	12
Notary, trustee, and fiduciary	6,230	6,196	34
Directors' liability	8,470	6,073	2,397
Fire, theft, and office content	20,299	19,878	421
Automobile	23,706	18,363	5,343
General liability	143,990	103,248	40,742
Deductibles, settlements	2,000	10,651	(8,651)
Total insurance	206,445	166,147	40,298
Professional services:			
Legal services	195,000	92,491	102,509
Accounting services	49,000	36,915	12,085
Consulting engineers	600	-	600
Computer support	20,000	20,636	(636)
Other professional services	20,000	20,759	(759)
Legislative services	10,000	-	10,000
Personnel services	5,900	3,604	2,296
Benefit administration	7,700	(1,555)	9,255
Total professional services	308,200	172,850	135,350

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund - Budgetary Basis		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Other administrative expense:			
Revenue collection expense	192,450	209,668	(17,218)
Directors' expense	54,350	35,283	19,067
Public information	22,300	13,787	8,513
Service charges	3,250	3,409	(159)
Assessment refunds	3,000	-	3,000
Special events expense	1,500	5,142	(3,642)
Miscellaneous expense	150	-	150
Total other administrative expense	277,000	267,289	9,711
System operations and maintenance:			
Basin maintenance:			
Developed basin maintenance	584,000	499,844	84,156
Undeveloped basin maintenance	311,700	234,287	77,413
Recharge maintenance	156,000	96,450	59,550
Parks and recreation maintenance	35,000	33,455	1,545
Winter operations	25,000	27,624	(2,624)
Fence repair	81,600	83,076	(1,476)
Pump operations/maintenance	300,000	249,956	50,044
Drainline operations	120,000	98,669	21,331
Flood control maintenance:			
Dam operations/maintenance	300,000	243,193	56,807
Channel operations	242,000	217,854	24,146
Detention basin operations	105,000	81,799	23,201
Vehicle operations	136,000	90,244	45,756
Vehicle repairs	14,000	10,931	3,069
Vehicle supplies	3,500	1,218	2,282
Operation expense	24,000	14,133	9,867
Field equipment maintenance	50,000	40,108	9,892
Warehouse expense	500	-	500
Other operations expense	5,000	4,894	106
Uniform expense	9,900	5,878	4,022
Telemetry maintenance	10,000	14,999	(4,999)
Environmental management:			
Environmental analysis	20,000	17,788	2,212
Water resource planning	7,000	7,000	-
Other environmental management	6,000	12,828	(6,828)
Total system operations and maintenance	2,546,200	2,086,228	459,972

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund - Budgetary Basis		
	Budget	Actual	Variance with Final Budget
Expenditures, continued:			
Operations center expense:			
Utilities	107,950	105,610	2,340
Building maintenance	75,490	68,465	7,025
Landscape maintenance	20,000	18,221	1,779
Repairs and rehabilitation	28,500	11,751	16,749
Other operations center	1,500	1,018	482
Total operations center expense	233,440	205,065	28,375
Storm water quality management (SWQM) expense:			
Consulting services	3,400	-	3,400
Municipal NPDES development	40,700	35,091	5,609
Industrial NPDES development	5,000	15,252	(10,252)
SWQM operations/maintenance	413,000	236,714	176,286
Municipal NPDES implementation	372,500	371,802	698
Industrial NPDES implementation	2,000	-	2,000
Total SWQM expense	836,600	658,859	177,741
Capital outlay:			
Operations center	-	4,372	(4,372)
Office equipment and furniture	149,280	102,522	46,758
Field equipment	285,600	65,330	220,270
Total capital outlay	434,880	172,224	262,656
Total expenditures	14,335,005	12,503,699	1,831,306
Other uses:			
Transfers out	12,236,695	10,504,928	1,731,767
Total expenditures and other uses	26,571,700	23,008,627	3,563,073
Net change in fund balance	(2,844,631)	1,820,378	4,665,009
Fund balance, beginning of year	19,395,205	19,431,214	36,009
Fund balance, end of year	<u>\$ 16,550,574</u>	<u>\$ 21,251,592</u>	<u>\$ 4,701,018</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**SCHEDULE OF COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**(DEVELOPER PAYABLE AND CONSTRUCTION CONTRACTS INCLUDED AS A LIABILITY)**  
**JUNE 30, 2017**

	General	Capital Project	Debt Service	PPDA Trust Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 20,957,295	\$ -	\$ -	\$ -	\$ 20,957,295
Receivables:					
Taxes	9,281	-	-	-	9,281
Developer	-	-	-	14,215	14,215
Fees and charges	-	-	-	1,015,100	1,015,100
Interest	14,183	9,931	664	-	24,778
Other	1,400,874	-	-	-	1,400,874
Due from other funds	974,194	-	-	135,329	1,109,523
Restricted cash	-	21,816,856	1,830,253	16,544,525	40,191,634
<b>Total Assets</b>	<b>\$ 23,355,827</b>	<b>\$ 21,826,787</b>	<b>\$ 1,830,917</b>	<b>\$ 17,709,169</b>	<b>\$ 64,722,700</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 489,687	\$ 18,316	\$ -	\$ 2,375,032	\$ 2,883,035
Contracts payable	47,480	2,172,443	-	-	2,219,923
Salaries payable	225,787	-	-	-	225,787
Developer reimbursements	-	-	-	38,760	38,760
Due to other funds	-	256,063	-	853,460	1,109,523
Developers payable	-	-	-	8,924,620	8,924,620
<b>Total Liabilities</b>	<b>762,954</b>	<b>2,446,822</b>	<b>-</b>	<b>12,191,872</b>	<b>15,401,648</b>
<b>DEFERRED INFLOWS</b>					
Deferred inflow from grantors	1,400,874	-	-	-	1,400,874
<b>FUND BALANCES</b>					
Restricted:					
Debt service	-	-	1,830,917	-	1,830,917
Drainage assessments	-	-	-	5,517,297	5,517,297
Committed:					
Construction	36,011	19,379,965	-	-	19,415,976
Assigned:					
General obligations	7,338,570	-	-	-	7,338,570
Unassigned	13,817,418	-	-	-	13,817,418
<b>Total Fund Balances</b>	<b>21,191,999</b>	<b>19,379,965</b>	<b>1,830,917</b>	<b>5,517,297</b>	<b>47,920,178</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 23,355,827</b>	<b>\$ 21,826,787</b>	<b>\$ 1,830,917</b>	<b>\$ 17,709,169</b>	<b>\$ 64,722,700</b>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
SCHEDULE OF COMBINED REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
(DEVELOPER PAYABLE AND CONSTRUCTION CONTRACTS INCLUDED AS A LIABILITY)  
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Capital Project	Debt Service	PPDA Trust Fund	Total Governmental Funds
Revenues:					
Taxes and subventions	\$ 11,115,875	\$ -	\$ -	\$ -	\$ 11,115,875
Assessment tax revenue	8,242,464	-	-	-	8,242,464
Drainage fees - cash	-	-	-	4,258,209	4,258,209
Drainage fees - noncash	-	-	-	714,688	714,688
Fees and charges for services	2,373,462	-	-	-	2,373,462
Interest and rental revenue	331,643	250,877	14,319	217,750	814,589
Grants, loans, and contributions	1,116,260	-	-	1,085,028	2,201,288
Miscellaneous	158,686	-	-	-	158,686
Total revenues	<u>23,338,390</u>	<u>250,877</u>	<u>14,319</u>	<u>6,275,675</u>	<u>29,879,261</u>
Expenditures:					
Personnel expense	8,517,749	-	-	-	8,517,749
Office administration	199,229	-	-	-	199,229
Management support	81,641	-	-	-	81,641
Insurance	166,147	-	-	-	166,147
Professional services	172,850	-	-	-	172,850
Other administrative expense	267,289	-	-	805,786	1,073,075
System operations and maintenance	2,086,228	-	-	-	2,086,228
Operations center expense	205,065	-	-	-	205,065
Storm water quality management	658,859	-	-	-	658,859
Capital outlay	172,224	4,828,600	-	1,682,687	6,683,511
Debt service	-	-	1,939,384	-	1,939,384
Total expenditures	<u>12,527,281</u>	<u>4,828,600</u>	<u>1,939,384</u>	<u>2,488,473</u>	<u>21,783,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,811,109</u>	<u>(4,577,723)</u>	<u>(1,925,065)</u>	<u>3,787,202</u>	<u>8,095,523</u>
Other financing sources (uses):					
Transfers in	1,488,881	8,759,095	1,951,909	-	12,199,885
Transfers out	(10,504,928)	(22,183)	-	(1,672,774)	(12,199,885)
Proceeds from the sale of assets	1,734	-	-	-	1,734
Total other financing sources (uses)	<u>(9,014,313)</u>	<u>8,736,912</u>	<u>1,951,909</u>	<u>(1,672,774)</u>	<u>1,734</u>
Net change in fund balances	1,796,796	4,159,189	26,844	2,114,428	8,097,257
Fund Balances, Beginning of Year	19,395,203	15,200,916	1,804,073	3,402,869	39,803,061
Prior Period Adjustment	-	19,860	-	-	19,860
Fund Balances, End of Year	<u>\$ 21,191,999</u>	<u>\$ 19,379,965</u>	<u>\$ 1,830,917</u>	<u>\$ 5,517,297</u>	<u>\$ 47,920,178</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	General Fund		
	June 30, 2017	June 30, 2016	Variance
Revenues:			
Taxes and subventions	\$ 11,115,875	\$ 10,589,180	\$ 526,695
Assessment tax revenue	8,242,464	8,254,950	(12,486)
Fees and charges for services	2,373,462	909,381	1,464,081
Interest and rental revenue	331,643	273,209	58,434
Grants revenue	1,107,521	1,988,069	(880,548)
Miscellaneous	158,686	91,167	67,519
Construction contributions	8,739	489,926	(481,187)
Total revenues	<u>23,338,390</u>	<u>22,595,882</u>	<u>742,508</u>
Other financing sources:			
Transfers in	1,488,881	1,767,900	(279,019)
Proceeds from sale of assets	<u>1,734</u>	<u>14,543</u>	<u>(12,809)</u>
Total revenues and other financing sources	<u>24,829,005</u>	<u>24,378,325</u>	<u>450,680</u>
Expenditures:			
Personnel expense	8,517,749	8,411,391	106,358
Office administration	199,229	197,529	1,700
Management support	81,641	80,990	651
Insurance	166,147	207,594	(41,447)
Professional services	172,850	205,275	(32,425)
Other administrative expense	267,289	253,887	13,402
System operations and maintenance	2,086,228	1,931,676	154,552
Operations center expense	205,065	182,325	22,740
Storm water quality management expense	658,859	689,134	(30,275)
Capital outlay	<u>172,224</u>	<u>173,518</u>	<u>(1,294)</u>
Total expenditures	<u>12,527,281</u>	<u>12,333,319</u>	<u>193,962</u>
Other uses:			
Transfers out	<u>10,504,928</u>	<u>7,413,217</u>	<u>3,091,711</u>
Total expenditures and other uses	<u>23,032,209</u>	<u>19,746,536</u>	<u>3,285,673</u>
Net change in fund balance	1,796,796	4,631,789	(2,834,993)
Fund balance, beginning of year	<u>19,431,214</u>	<u>14,799,425</u>	<u>4,631,789</u>
Fund balance, end of year	<u>\$ 21,228,010</u>	<u>\$ 19,431,214</u>	<u>\$ 1,796,796</u>

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	General Fund		
	June 30, 2017	June 30, 2016	Variance
Revenues:			
Taxes:			
Property taxes - current	\$ 10,193,285	\$ 9,748,480	\$ 444,805
Property taxes - prior year levies	24,461	16,355	8,106
General subventions	274,898	304,164	(29,266)
Other	623,231	520,181	103,050
Assessment tax revenue	8,242,464	8,254,950	(12,486)
Interest revenue	271,938	208,445	63,493
Grant revenue	1,107,521	1,988,069	(880,548)
Construction contributions	8,739	489,926	(481,187)
Fees and charges for services:			
Non-conforming facilities fees	198,835	111,094	87,741
Master plan engineering fees	256,005	238,489	17,516
Excavation permit fees	1,322,050	299,174	1,022,876
Recharge maintenance	178,544	23,424	155,120
PPDA administration fees	40,456	6,490	33,966
Other fees and charges	377,572	230,710	146,862
Rental income	59,705	64,764	(5,059)
Miscellaneous	158,686	91,167	67,519
Other financing sources:			
Transfers in	1,488,881	1,767,900	(279,019)
Proceeds from sale of assets	1,734	14,543	(12,809)
Total revenues and other financing sources	24,829,005	24,378,325	450,680
Expenditures:			
Personnel expense:			
Salaries, regular and part-time	5,677,914	5,664,848	13,066
Payroll related taxes	415,326	418,068	(2,742)
Employee insurance	1,034,596	1,003,056	31,540
Workers' compensation	82,020	93,220	(11,200)
Retirement	567,486	569,215	(1,729)
Annual leave	134,428	160,327	(25,899)
OPEB contribution	596,012	484,020	111,992
Unemployment insurance	3,150	-	3,150
Temporary help	6,817	18,637	(11,820)
Total personnel expense	8,517,749	8,411,391	106,358
Office administration:			
General office supplies	59,995	46,702	13,293
Records and maps	13,937	26,413	(12,476)
Reproduction	6,946	12,130	(5,184)
Office equipment maintenance	75,495	63,094	12,401
Communications	34,221	41,604	(7,383)
Postage	5,176	5,014	162
Printing	3,415	2,435	980
Courier service	44	137	(93)
Total office administration	199,229	197,529	1,700

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

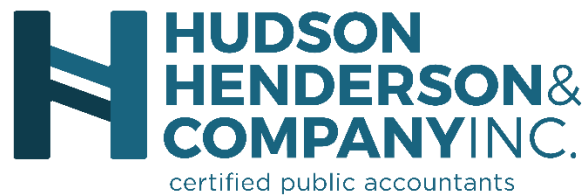
	General Fund		
	June 30, 2017	June 30, 2016	Variance
Expenditures, continued:			
Management support:			
Conferences and meetings	26,905	22,484	4,421
General management	45,243	42,189	3,054
Professional education	9,493	16,317	(6,824)
Total management support	81,641	80,990	651
Insurance:			
Employee bonding	1,738	1,738	-
Notary, trustee, and fiduciary	6,196	12,567	(6,371)
Directors' liability	6,073	8,116	(2,043)
Fire, theft, and office content	19,878	20,506	(628)
Automobile	18,363	22,792	(4,429)
General liability	103,248	137,975	(34,727)
Deductibles, settlements	10,651	3,900	6,751
Total insurance	166,147	207,594	(41,447)
Professional services:			
Legal services	92,491	129,158	(36,667)
Accounting services	36,915	49,000	(12,085)
Consulting engineers	-	135	(135)
Computer support	20,636	12,249	8,387
Other professional services	20,759	13,031	7,728
Personnel services	3,604	1,638	1,966
Benefit administration	(1,555)	64	(1,619)
Total professional services	172,850	205,275	(32,425)
Other administrative expense:			
Revenue collection expense	209,668	185,941	23,727
Directors' expense	35,283	37,222	(1,939)
Public information	13,787	22,394	(8,607)
Service charges	3,409	3,801	(392)
Assessment refunds	-	2,274	(2,274)
Special events expense	5,142	1,733	3,409
Miscellaneous expense	-	522	(522)
Total other administrative expense	267,289	253,887	13,402

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	General Fund		
	June 30, 2017	June 30, 2016	Variance
Expenditures, continued:			
System operations and maintenance:			
Basin maintenance:			
Developed basin maintenance	499,844	462,748	37,096
Undeveloped basin maintenance	234,287	255,609	(21,322)
Recharge maintenance	96,450	88,301	8,149
Parks and recreation maintenance	33,455	21,965	11,490
Winter operations	27,624	12,066	15,558
Fence repair	83,076	79,046	4,030
Pump operations/maintenance	249,956	236,561	13,395
Drainline operations	98,669	58,982	39,687
Flood control maintenance:			
Dam operations/maintenance	243,193	263,173	(19,980)
Channel operations	217,854	190,520	27,334
Detention basin operations	81,799	88,628	(6,829)
Vehicle operations	90,244	87,041	3,203
Vehicle repairs	10,931	4,568	6,363
Vehicle supplies	1,218	600	618
Operation expense	14,133	18,036	(3,903)
Field equipment maintenance	40,108	29,789	10,319
Warehouse expense	-	-	-
Other operations expense	4,894	103	4,791
Uniform expense	5,878	6,937	(1,059)
Telemetry maintenance	14,999	8,817	6,182
Environmental management:			
Environmental analysis	17,788	8,544	9,244
Water resources planning	7,000	7,000	-
Other environmental management	12,828	2,642	10,186
Total system operations and maintenance	2,086,228	1,931,676	154,552
Operations center expense:			
Utilities	105,610	97,461	8,149
Building maintenance	68,465	59,060	9,405
Landscape maintenance	18,221	14,543	3,678
Repairs and rehabilitation	11,751	11,113	638
Other operations center	1,018	148	870
Total operations center expense	205,065	182,325	22,740

**FRESNO METROPOLITAN FLOOD CONTROL DISTRICT  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – CURRENT YEAR VS. PRIOR YEAR – GENERAL FUND (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	General Fund		
	June 30, 2017	June 30, 2016	Variance
Expenditures, continued:			
Storm water quality management expense:			
Consulting services	-	519	(519)
Municipal NPDES development	35,091	32,287	2,804
Industrial NPDES development	15,252	832	14,420
SWQM operations/maintenance	236,714	313,098	(76,384)
Municipal NPDES implementation	371,802	342,398	29,404
Industrial NPDES implementation	-	-	-
Total storm water quality management expense	658,859	689,134	(30,275)
Capital outlay:			
Operations center	4,372	-	4,372
Office equipment and furniture	102,522	142,842	(40,320)
Field equipment	65,330	30,676	34,654
Total capital outlay	172,224	173,518	(1,294)
Total expenditures	12,527,281	12,333,319	193,962
Other uses:			
Transfers out	10,504,928	7,413,217	3,091,711
Total expenditures and other uses	23,032,209	19,746,536	3,285,673
Net change in fund balance	1,796,796	4,631,789	(2,834,993)
Fund balance, beginning of year	19,431,214	14,799,425	4,631,789
Fund balance, end of year	<u>\$ 21,228,010</u>	<u>\$ 19,431,214</u>	<u>\$ 1,796,796</u>



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

To the Board of Directors  
Fresno Metropolitan Flood Control District

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 and each major fund of the Fresno Metropolitan Flood Control District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 District'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 District'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
December 21, 2017