

CITY OF NOVATO | CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017



PREPARED BY FINANCE DIVISION

CITY OF NOVATO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION





THE CITY OF
NOVATO
CALIFORNIA

922 Machin Avenue
Novato, CA 94945
415/899-8900
FAX 415/899-8213
www.novato.org

Mayor
Josh Fryday
Mayor Pro Tem
Pam Drew
Councilmembers
Denise Athas
Pat Eklund
Eric Lucan

City Manager
Regan M. Candelario

December 15, 2017

To the Citizens of the City of Novato, CA and to
Honorable Mayor and Members of the City Council:

In accordance with provisions of the Novato Municipal Code and the California Government Code, we are pleased to present the Comprehensive Annual Financial Report (“CAFR”) for the City of Novato for the fiscal year ended June 30, 2017. The City’s independent auditor, Mann Urrutia Nelson CPAs & Associates LLP, has issued an unmodified (“clean”) opinion on the City of Novato’s financial statements. The independent auditor’s report is located at the front of the Financial Section of this report.

The CAFR was prepared in accordance with generally accepted accounting principles (“GAAP”) and in compliance with the standards and principles set forth by the Governmental Accounting Standards Board (“GASB”). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report, and provides a narrative introduction, overview, and analysis of the information contained in the basic financial statements. The MD&A also discloses significant items affecting the financial condition of the City, and is designed to be read in conjunction with this letter of transmittal. Additional information about the accounting policies of the City can be found in Note 1 of the notes to the financial statements.

This year, the City of Novato was required to undergo an annual Single Audit in conformance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

City of Novato Profile

Novato is the northernmost city in Marin County, California, and is located approximately 29 miles north of San Francisco and 37 miles northwest of Oakland. Marin County’s population as of January 2017 is 263,604, which is a slight increase of 0.18% from 2016. Novato, which covers 28 square miles, has a population of 54,522, a slight decrease of about 0.41% from a year ago. Novato’s population is 65.8% White, 21.3% Hispanic (of any race), 6.5% Asian, 2.5% Black and 3.9% all other; the median age is 42.6 years.

The City of Novato was incorporated on January 20, 1960 as a general law city. The City Council is made up of five members, elected at large, serving four-year terms. The Mayor is selected for a one-year term from among the

members of the City Council. The City operates under a council-manager form of government. The City Council appoints the City Manager and City Attorney.

The City of Novato has 208.5 authorized full-time equivalent employees and delivers municipal services through six departments: Central Administration (City Manager, City Clerk, City Attorney, Economic Development), Administrative Services (Finance, Human Resources, Risk Management, Information Technology, and Citywide Programs), Police, Community Development (Planning, Building, Code Enforcement, and Environmental Sustainability), Public Works (Engineering and Maintenance), and Parks, Recreation and Community Services. Fire services are provided in Novato by the Novato Fire Protection District; refuse, recycling services and sewage systems are provided by the Novato Sanitary District; water services by the North Marin Water District; public transit services by the Golden Gate Bridge, Highway and Transportation District; animal control services via contract by the Marin Humane Society; and library services by the Marin County Free Library.

Additionally, per the redevelopment dissolution provisions of both AB 1x 26 and AB 1484, The City Council also acts as the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato. Financial statements for the Redevelopment Obligation Retirement Fund, which is required to be maintained by the Successor Agency, are included in this CAFR.

The budget process for the City of Novato typically begins in January, with a review by the Finance staff and the City Manager of the current budget. Budget guidelines are developed for departments to use in preparing their budgets, and a budget kickoff meeting is typically held in late January. In February and March, departments have prepared and submitted their budget requests. After internal review and discussions between the City Manager and departments, the City Manager presents an overview of the proposed budget in April. Public input is gathered at several public workshops, and the City Manager submits the Proposed Budget and the Proposed Capital Improvement Program Budget to the City Council in May. The City Council is asked to adopt the budget in June.

The legal level of budgetary control is by fund, although budgets are adopted within funds at the department / program level, and at the individual project level for capital projects.

Local Economy

The city of Novato successfully accommodates corporate headquarters, life science research companies, state-of-the-art technology companies and a variety of retail centers in its business community.

BioMarin Pharmaceuticals is the City's largest employer with 875 employees. Ultragenyx Pharmaceutical and Raptor Pharmaceutical, both BioMarin spinoffs, are located in Bel Marin Keys. The Buck Institute for Research on Aging is also headquartered in Novato, furthering Novato's expansion as the biotech hub of the North Bay.

Retail business in Novato takes many forms. Vintage Oaks Shopping Center is a regional mall that serves as home to Costco, Target, Macy's Furniture Center, Pier 1, Novato Toyota and Novato Kia, as well as a number of other retail stores and restaurants. There is an active retail area in downtown Novato along Grant Ave with shops and restaurants as well as other shopping areas throughout the City. While hurt during 2014 by new retail openings in surrounding cities, Novato began to turn the trend around during 2017, posting regular sales tax gains in most categories.

As of June 2017, Marin County had an unemployment rate of 3.1%. This rate is the second lowest in the state and has improved from a high of 8.3% during the Great Recession. The resurgence of the real estate market has impacted values throughout Marin County, including in Novato. The property assessment roll at January 1, 2017 has increased 5.3%, benefitting from the significant year-over-year increases in sales prices as homes change hands. Novato also saw increasing demand in 2017 for fee-based services such as recreation programs, facility leases, and building / planning services. Overall, the above trends are expected to continue into 2018, albeit at slightly lower rates of overall growth.

In addition to impacts that Novato and other cities have felt from the long recession, the City has also been dealing with a variety of financial impacts due to State government decisions over the past few years. The City has been hit by the takeaway of vehicle license fee revenue; more significantly, however, has been the elimination of redevelopment in California. This action represents a direct negative financial impact to the City, but it also means the loss of the City's primary tool to encourage and foster economic development activities and manage the City's affordable housing program. The City Council has re-invigorated some of these programs with Measure F and Measure C sales tax dollars, and the City's economic development program has recently been active leveraging existing community assets and attracting new employers to Novato.

Long-Term Financial Planning

The City maintains a five-year general fund forecasting model, updated regularly and reviewed with the City Council. The forecast contains a variety of assumptions about revenue and expenditure growth over the five-year time horizon. It serves as a planning tool to assist City staff and policy makers in seeing financial trends and making appropriate budgetary and policy decisions to ensure the long-term financial health of the City.

During fiscal year 2014/15, the City Council implemented the majority of its Fiscal Sustainability Plan, a blueprint for long-term fiscal health for the City. The Plan contains a number of elements and outcomes, focusing on staff compensation, recruitment and retention; infrastructure maintenance; long-term service levels and staffing needs; and sustainable revenue options. In November 2015 with nearly 74% of the vote, the voters of Novato adopted Measure C, a new ¼ percent sales tax that will have at least a 20-year duration. In 2016/17, the first full year of the tax, Measure C contributed approximately \$2.4 million in new revenue to the City.

Financial Policies

In addition to the accounting policies summarized in Note 1 of the notes to the financial statements, the City also maintains a full set of financial policies. These policies include:

- Capital Improvement and Asset Policies
- Budget Reserve Policies
- Investment Policies
- Operating Budget Policies
- Purchasing Policies
- Revenue Policies
- Debt and Debt Administration Policies

Major Initiatives

The City Council recently adopted its new 2015 – 2018 Strategic Plan with five key, overarching goals for the upcoming three years. These goals, along with their underlying strategic objectives and work-plan items, set the City Council's policy direction and the City staff's major efforts and initiatives over that time period.

Fiscal and Organizational Sustainability – Fiscal sustainability and long-term financial planning has long been a City priority. With the adoption of the Fiscal Sustainability Plan in February 2014, the focus of the 2014/15 fiscal year budget was to implement many of the projects and programs contained in the plan. The fiscal year 2016/17 budget was a continuation of most of the programs begun or approved the previous year. As mentioned above, the voters approved a ¼ cent ongoing sales tax in November 2015, which will significantly aid in the long-term financial stability for Novato.

General Plan – The City Council adopted Novato's latest Housing Element for the 2015-2023 planning cycle in November 2014 and it was approved by state regulators in January 2015. Major work has been underway since then to produce and adopt a new General Plan for Novato. Much of the policy work

for the General Plan was conducted in 2015 and early 2016 via a series of white papers that focused on key neighborhoods and policy options that will be addressed with the new General Plan. A significant community engagement process has been underway during 2016 to reach as many community members and community groups as possible with educational sessions as well as feedback opportunities to help inform the final General Plan. Environmental impact report work has also commenced, and final adoption of the General Plan is anticipated in 2018.

Economic Development – Work continues in several areas of economic development, including supporting efforts to solidify the strong local Life Science industry to promote the North Bay as a premier destination for bio / life sciences technology companies. The City also continues to focus on the redevelopment of its remaining properties in the Hamilton Base area, including the recently negotiated sale and development of the Hamilton Hospital as an assisted living / memory care facility. Over the past year the Staffing level for Economic Development has increased allowing for more focus on business retention, partnership with local business organizations to further support and strengthen our existing businesses.

Health and Safety – The Police Department continues its work ensuring the safety and welfare of Novato residents, including the work of the Novato Response Team to address neighborhood and quality of life issues. The Department has also focused on its technology, including its mobile data computers, officer-worn cameras, automated license plate readers, etc., as well as a variety of community outreach efforts. The Recreation and Parks Department is focused on the growing demand for its recreational and educational programs. It is participating in the countywide “Healthy Eating, Active Living” campaign and continues to support the Novato Blue Ribbon Coalition’s efforts to prevent youth access to alcohol. The Public Works Department continues to maintain City roads, bike and pedestrian pathways, improve traffic operations and safety, ensure well-functioning storm-water systems, and maintain more than \$100 million of City infrastructure.

Community Engagement and Outreach – A major focus for the City Council and City staff over the past year has been the enhancement of its public noticing, outreach and engagement efforts. A variety of tools have been launched, with more in the works. Project web pages with current status and updates of public works projects; continued use of the City’s OpenNovato online feedback tool; modified noticing policies for public and private projects; and a variety of newsletters and other resident communications (including translation of more documents into Spanish); are just some of the efforts that have been underway in 2017.

Awards

This CAFR for the 2016/17 fiscal year is the sixth CAFR produced by the City of Novato. In order to be eligible for the Government Finance Officers Association of the United States and Canada (“GFOA”) Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. Such reports must satisfy US generally accepted accounting principles (GAAP) and applicable legal requirements. We believe that this report conforms to the requirements for the Certificate of Achievement, and will be submitting it to GFOA to determine the City’s eligibility for a Certificate. The City is pleased that its 2015/16 CAFR was acknowledged by the GFOA as a recipient of its Certificate of Achievement.

In addition, the City received the GFOA’s Distinguished Budget Presentation award and the California Society of Municipal Finance Officers Certificate of Award for Excellence in Operating Budgeting for its budget document for the 2016/17 fiscal year. To qualify for these awards, the City’s budget document had to be judged proficient as a policy document, a financial planning document, an operations guide, and a communications device.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated efforts of the staff of the Finance Division of the Administrative Services Department. Each individual has our sincere appreciation for the professionalism, dedication, and contributions made in the preparation of this report. Credit must also be given to the Mayor, City Council members, and the City’s management team for their support in maintaining the highest standards of professionalism in the management of the City of Novato’s finances.

Respectfully submitted,



REGAN M. CANDELARIO
City Manager



TONY CLARK
Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

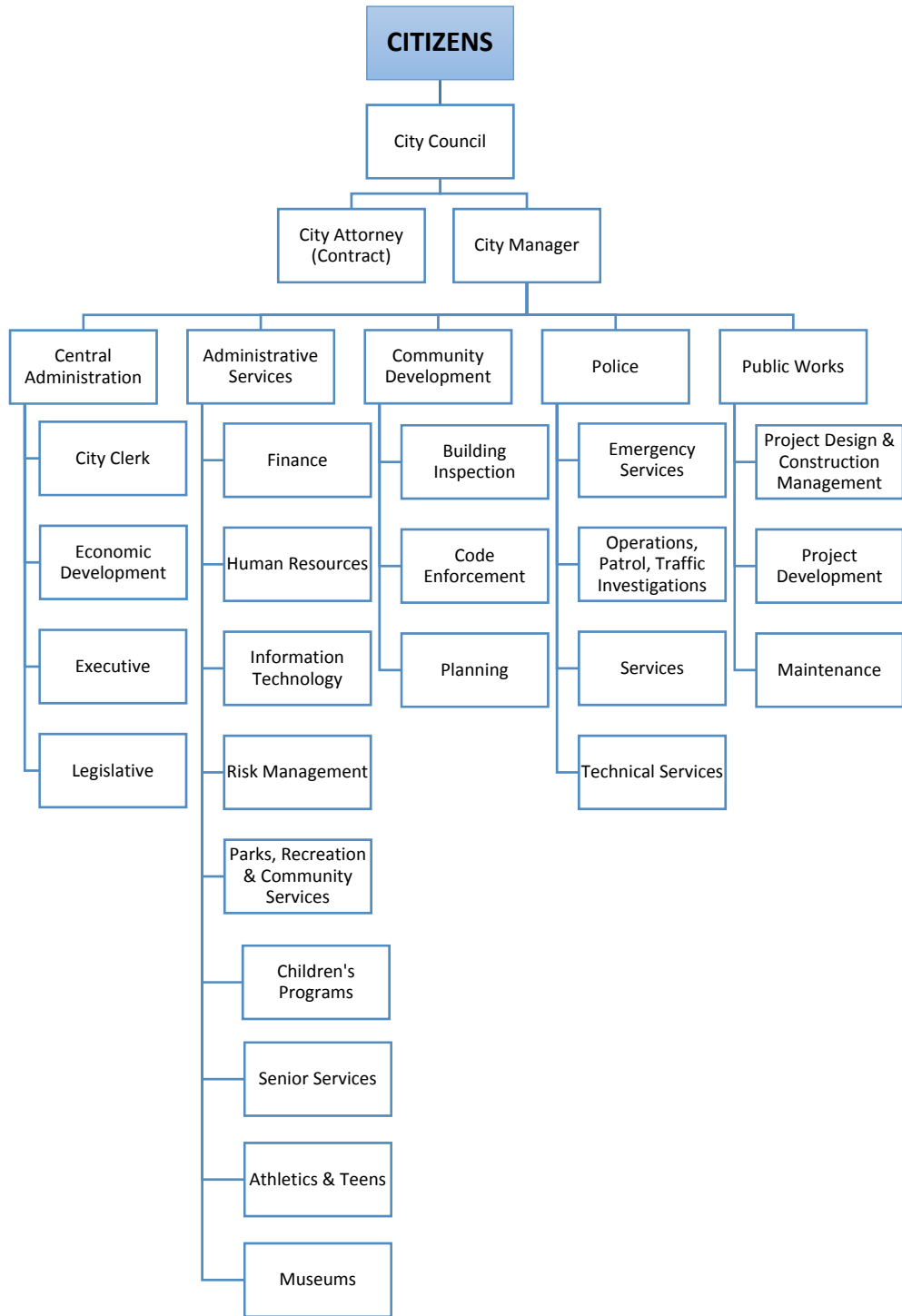
Presented to

**City of Novato
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



**CITY OF NOVATO
ELECTED OFFICIALS
AND
EXECUTIVE STAFF**

JUNE 30, 2017

ELECTED OFFICIALS

Mayor	Josh Fryday
Mayor Pro Tem	Pam Drew
Council Member	Denise Athas
Council Member	Pat Eklund
Council Member	Eric Lucan

EXECUTIVE MANAGEMENT TEAM

City Manager	Regan Candelario
Assistant City Manager Central Administration	Peggy Flynn
Assistant City Manager Administrative Services / Parks, Recreation, and Community Services	Michael Antwine
City Attorney	Walter & Pistole
City Clerk	Terrie Gillen
Police Chief	Adam McGill
Community Development Director	Robert Brown
Public Works Director / City Engineer	Russell Thompson

This listing has been created for the purpose of this CAFR and as a reference of the structure at the time of production.



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Novato
Novato, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, pension related schedules, and the schedules of funding progress for other post-employment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novato's basic financial statements. The introductory section, combining and individual nonmajor governmental fund financial statements and budgetary comparison schedules, the internal service funds, agency funds, and general fund combining statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the City of Novato'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 City of Novato's internal control over financial reporting and compliance.

Mann, Wurita, Nelson CPAs

Sacramento, California
December 15, 2017

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

This section of the City of Novato California's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded its liabilities at June 30, 2017 by \$290,966,503. Of this amount, \$255,909,899 is invested in capital assets, net of related debt; \$59,293,007 is restricted for debt service, capital projects, insurance, grants, taxes, and fees; and \$(24,236,403) is unrestricted.
- The City's total net position decreased by \$452,390, of which \$(1,547,995) was attributable to governmental activities and \$1,095,605 was attributable to business-type activities.
- Government-wide revenues decreased by \$581,814 or 1% to \$50,499,931 from 2016's total of \$51,081,745.
- Government-wide expenses increased by \$6,254,198 or 14% to \$50,952,321 from 2016 total of \$44,698,123.

Fund level

- Governmental fund balances increased to \$83,265,059 from the prior year's 87,576,626.
- Governmental fund revenues decreased by \$792,692 or 2% to \$45,558,222 from the prior year's \$46,350,914.
- Governmental fund expenditures increased by \$5,237,594 or 12% to \$49,427,206 from the prior year's \$44,189,612.
- General fund balance decreased from \$29,157,168 to \$28,103,134.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a long-term view of the City's finances.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 City of Novato is strengthening or weakening.

The Statement of Activities and Changes in Net Position presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash receipts or disbursements. Thus, revenues and expenses are reported in this statement for some items that will only result in cash receipts or disbursements in future fiscal periods, such as property taxes assessed for the current year but received after June 30, or vacation leave earned in the current year but not utilized until a subsequent year.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

Governmental activities

These are activities that are principally supported by taxes and intergovernmental revenues. For the City of Novato, governmental activities include police services, public works, community development, recreation and community services, and general government administration.

Also included in governmental activities are certain component units. These are organizations whose governing body is the governing body of the primary reporting government or who report to the primary governing body. Organizations for which the nature and significance of their relationship with the primary reporting government is such that exclusion would cause the reporting government's financial statements to be misleading or incomplete are included in governmental activities. The City of Novato is the primary government in this report, and incorporated into these financial statements are the financial position and activities of one component unit, the City of Novato Public Financing Authority (NPFA). No separate financial statements were issued for the NPFA.

Business-type activities

These are activities that are primarily funded through user charges. The City of Novato's business-type activities include activity related to the Marin Valley Mobile Country Club Park.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Novato, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds used by the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, which focus on the long-term, governmental funds financial statements focus on short-term inflows and outflows of spendable resources and the balances of those spendable resources available for spending. This information is useful in evaluating a government's short-term financing requirements.

To assist the user of these financial statements in understanding the differences and the relationship between the government-wide financial statements and the governmental funds financial statements, reconciliations between the two sets of statements have been included in this report.

The reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position highlights the inclusion of capital assets and long-term liabilities in the government-wide financial statements.

The reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities highlights the exclusion of capital expenditures, depreciation and amortization, and cash flows related to long-term liabilities from the governmental fund statements.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The City of Novato maintains numerous individual funds, which for financial reporting, are grouped according to their type (general fund, special revenue, capital projects, and debt service). Funds whose expenditures exceed 10% of the total expenditures for all governmental funds, or meet other specific criteria for determining their importance to the financial statement user, are designated Major Funds, and are reported separately in the governmental funds statements. All other funds are grouped together for reporting purposes. Major funds for the City of Novato are:

- General Fund
- Affordable Housing Program
- Capital Improvement Projects
- Restricted Revenue Fund
- Development Impact Fees Fund
- Novato Public Financing Authority
- Hamilton Trust Fund

Individual fund data for each non-major governmental fund is provided in combining statements included in the Supplementary Information section of this report.

Proprietary funds

Proprietary funds focused on the determination of operating income or cost recovery. There are two types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
- Internal service funds are used to accumulate and allocate costs internally among the City's various funds and departments.

The City has one enterprise fund: Marin Valley Mobile Country Club Park (MVMCC). This fund is used to record financial activity for this City-owned property. The City uses internal service funds to account for anticipated replacement costs and maintenance of vehicles and equipment, and also for claim settlements and reimbursements for insurance.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the reporting government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City utilizes two types of fiduciary funds:

- Agency funds are used to record assets of separate organizations for which the City serves as a custodian for the organization. All assets in agency funds are offset by a liability to the organization on whose behalf they are held.
- Private purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Notes to the Financial Statements

The 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. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information

This report presents supplementary information concerning the City of Novato's progress in its obligation to provide pension and other post-employment benefits to its employees, and budgetary comparison information for the City's general fund and major special revenue funds.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Combining and Individual Fund Statements and Schedules

This final section of the report includes combining information for the City's non-major funds, internal service funds, agency funds, and general funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section of the Management Discussion and Analysis provides a comparison and review of governmental activities for two fiscal years. In addition, an analysis of the current fiscal year net position and changes in net position is provided.

Statement of Net Position
As of June 30, 2017 and 2016
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>	<u>2017</u>	<u>2016</u>	<u>Net Change</u>	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
ASSETS									
Current and other assets	\$ 95,726	\$ 100,000	\$ (4,274)	\$ 4,888	\$ 4,437	\$ 451	\$ 100,614	\$ 104,437	\$ (3,823)
Capital assets	<u>257,588</u>	<u>255,921</u>	<u>1,667</u>	<u>15,407</u>	<u>15,339</u>	<u>68</u>	<u>272,995</u>	<u>271,260</u>	<u>1,735</u>
Total Assets	<u>353,314</u>	<u>355,921</u>	<u>(2,607)</u>	<u>20,295</u>	<u>19,776</u>	<u>519</u>	<u>373,609</u>	<u>375,697</u>	<u>(2,088)</u>
DEFERRED OUTFLOWS OF RESOURCES									
	<u>10,469</u>	<u>3,293</u>	<u>7,176</u>	-	-	-	<u>10,469</u>	<u>3,293</u>	<u>7,176</u>
LIABILITIES									
Long-term liabilities	73,666	65,117	8,549	5,406	5,896	(490)	79,072	71,013	8,059
Other liabilities	<u>8,901</u>	<u>8,969</u>	<u>(68)</u>	<u>575</u>	<u>662</u>	<u>(87)</u>	<u>9,476</u>	<u>9,631</u>	<u>(155)</u>
Total Liabilities	<u>82,567</u>	<u>74,086</u>	<u>8,481</u>	<u>5,981</u>	<u>6,558</u>	<u>(577)</u>	<u>88,548</u>	<u>80,644</u>	<u>7,904</u>
DEFERRED INFLOWS OF RESOURCES									
	<u>4,563</u>	<u>10,503</u>	-	-	-	-	<u>4,563</u>	<u>10,503</u>	<u>(5,940)</u>
NET POSITION									
Net investment in capital assets	246,398	243,095	3,303	9,510	8,966	544	255,909	252,061	3,848
Restricted	54,491	56,973	(2,482)	4,802	4,251	551	59,293	61,224	(1,931)
Unrestricted	<u>(24,236)</u>	<u>(22,164)</u>	<u>(2,072)</u>	-	-	-	<u>(24,236)</u>	<u>(22,164)</u>	<u>(2,072)</u>
Total Net Position	<u>\$ 276,653</u>	<u>\$ 277,904</u>	<u>\$ (1,251)</u>	<u>\$ 14,312</u>	<u>\$ 13,217</u>	<u>\$ 1,095</u>	<u>\$ 290,966</u>	<u>\$ 291,121</u>	<u>\$ (155)</u>

Analysis of Net Position

Net Position is a measure of a government's financial position and over time, a trend of increasing or decreasing net position is an indicator of the financial health of the organization. The City of Novato's net position exceeded liabilities by \$290,966,503 at June 30, 2017.

The net position of \$290,966,503 at June 30, 2017 was comprised of the following elements:

- Unrestricted cash and investments of \$57,107,700, cash with fiscal agents of \$76,544, and restricted cash and investments of \$30,352,992;
- Accounts, loans, interest, and taxes receivable of \$7,091,215;
- Prepaid expenses of \$85,056;

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

- Non-current assets consisted of advances to the Successor Agency, bond issuance costs, other assets and capital assets. Advances to the Successor Agency totaled \$5,376,334. Bond issuance costs were \$161,442 and are amortized over the life of the debt. Other assets totaling \$362,100 represent a building held for resale. Capital assets of \$272,995,732, net of accumulated depreciation charges of \$146,952,581, included \$135,398,510 of land, \$9,388,481 of construction in progress, \$38,926,944 of buildings, \$679,067 of furniture and equipment, \$87,114,529 of infrastructure, and \$1,488,201 of vehicles;
- Deferred outflows of resources totaled \$10,469,024 and consisted of pension contributions made subsequent to the measurement date and changes in the net pension liability;
- Current liabilities totaled \$9,475,879 and included \$2,298,525 of accounts payable, \$731,144 of salaries and benefits payable, \$194,101 of interest payable, \$3,330 of accrued liabilities, \$356,565 of unearned revenue, \$2,492,480 of deposits payable, the current portion of claims payable of \$629,771, compensated absences of \$36,069, and long-term debt of \$2,733,894;
- Non-current liabilities of \$79,072,674 included \$1,567,273 of non-current claims payable; \$761,614 of Other Post Employment Benefits (OPEB), \$1,329,524 of compensated absences, \$42,257,576 of the net pension liability, and \$33,156,687 of the non-current portion of long-term debt which is due in the fiscal years subsequent to fiscal 2017;
- Deferred inflows of resources of \$4,563,083 consisted of unavailable revenue for affordable housing loans as well as changes in the net pension liability;
- Net position invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$255,909,899 represented the cost of capital assets, less any outstanding debt used to acquire the assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from sources other than the related assets, because the capital assets themselves cannot be used to repay these debts;
- Restricted net position of \$59,293,007 was comprised of \$6,596,879 restricted for debt services; \$13,779,943 restricted for capital projects; \$38,360,667 restricted for grants, taxes, and fees; and \$555,518 restricted for insurance. The remaining balance of \$(24,236,403) represented unrestricted net position. The deficit in unrestricted net position is primarily due to the result of implementing GASB 68 during FY 2014-15, which has increased the City's accrued pension liability. This change is detailed in Note 9 to the financial statements.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Analysis of Changes in Net Position

The City's total net position decreased by \$452,390, or 0.16%, during the fiscal year ended June 30, 2017. Governmental activities revenues decreased overall, mainly due to the end of Measure F, the City's five year half-cent sales tax measure, on March 31, 2016. Measure F was replaced by Measure C, an ongoing quarter-cent sales tax that began on April 1, 2016. A one-quarter cent decrease in sales tax revenues equates to a decrease of approximately \$2.5 million for Novato. The largest revenue increase for the City was from capital grants that had been previously awarded for two large infrastructure projects. Expenses increased by \$6 million, mainly in three areas: general government, public safety, and culture and recreation. The major factors impacting the increase in general government and public safety expenses were pension cost increases (\$1.3 million), legal fees and related insurance claim settlements (\$525,000), and payroll costs (\$500,000). The increase in culture and recreation was due to an increase in capital outlay related to capital improvement projects. Activities and changes in net position relating to the \$452,390 decrease are presented in the governmental activities and business-type activities tables following:

Governmental Activities Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(in thousands)

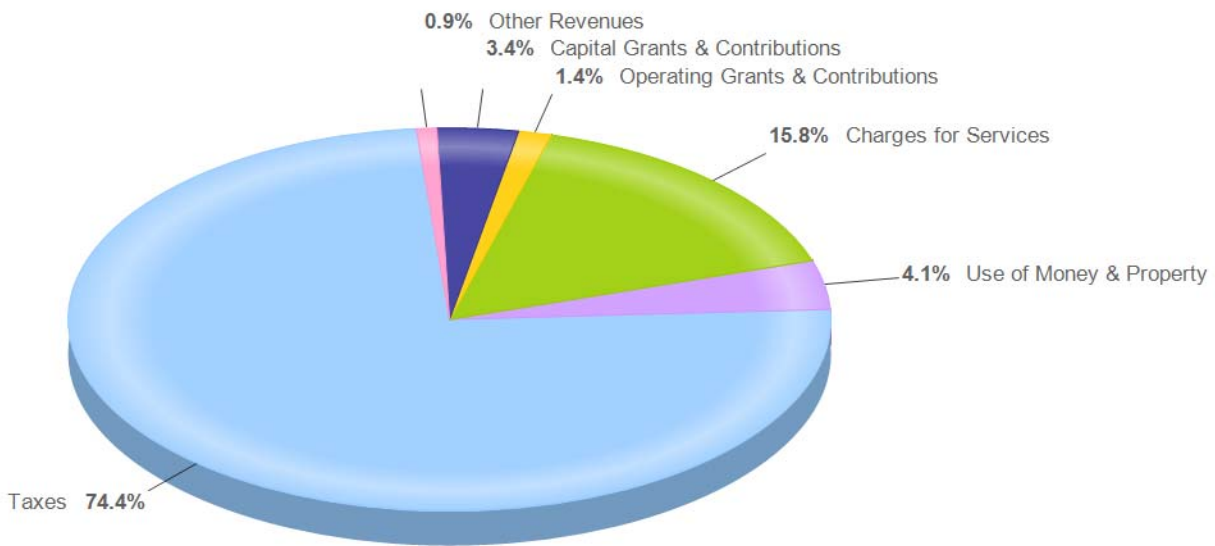
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
REVENUES:			
Program revenues			
Charges for services	\$ 7,439	\$ 7,141	\$ 298
Operating grants and contributions	662	856	(194)
Capital grants and contributions	1,623	651	972
General revenues			
Taxes	35,083	36,461	(1,378)
Use of money and property	1,942	2,195	(253)
Other revenue	<u>410</u>	<u>650</u>	<u>(240)</u>
Total Revenues	<u>47,159</u>	<u>47,954</u>	<u>(795)</u>
EXPENSES:			
Governmental activities			
General government	10,621	9,119	1,502
Public safety	15,306	13,611	1,695
Public works	12,594	11,966	628
Culture and recreation	7,137	5,417	1,720
Community development	1,451	1,040	411
Interest on long-term liabilities	<u>1,599</u>	<u>1,534</u>	<u>65</u>
Total Expenses	<u>48,708</u>	<u>42,687</u>	<u>6,021</u>
Change in net position	<u>(1,549)</u>	<u>5,267</u>	<u>(6,816)</u>
Net position - beginning of year	277,905	272,049	5,856
Restatement	<u>296</u>	<u>589</u>	<u>(293)</u>
Net position - beginning of year, restated	<u>278,201</u>	<u>272,638</u>	<u>5,563</u>
Net position - end of year	<u>\$ 276,652</u>	<u>\$ 277,905</u>	<u>\$ (1,253)</u>

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Governmental Activities

The table above reflects a change in net position of \$(1,547,995), which is the result of expenses in excess of revenues.

Revenues by Source
2017 Governmental Activities

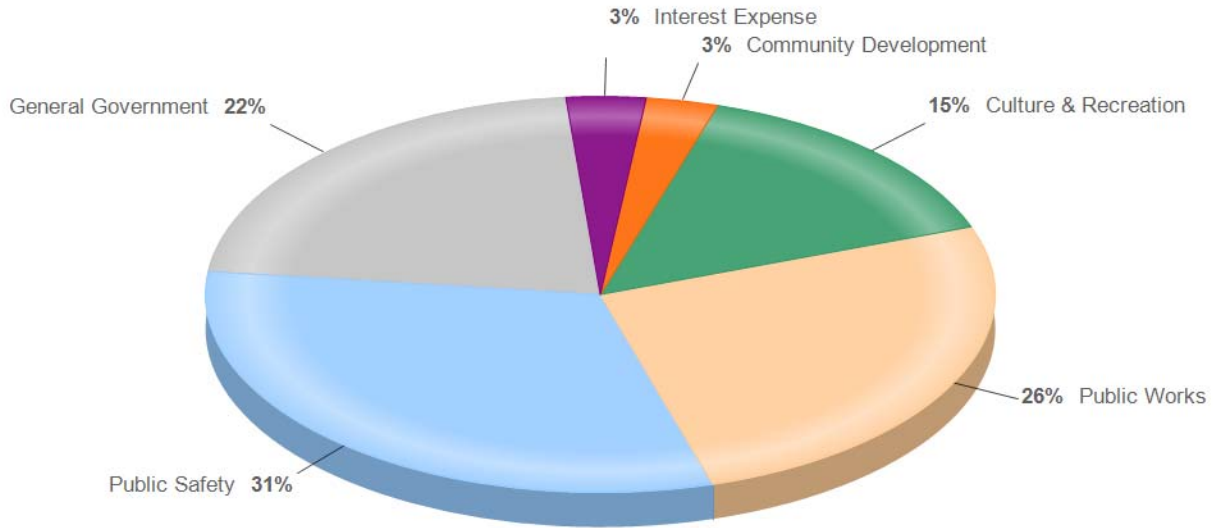


The chart of revenues by source above illustrates that taxes are the largest source of operating revenue for the City. The components of taxes are real estate property taxes, real property transfer tax, sales and use tax, hotel taxes, gas taxes, business license taxes and franchise fees. Charges for services are the second largest source of operating revenue and represents fees charged by departments for services provided. Charges for services include licenses and permits and fines and forfeitures.

The decrease in revenues of \$793,526 or 2% was mainly due to the decrease in sales taxes following the end of Measure F and start of Measure C. This resulted in an overall decrease of \$2 million between 2016 and 2017. Some of this loss of revenue was offset by increases in grant revenues related to two large infrastructure projects and higher revenues from service charges resulting from increased development activity. Higher property taxes, business license fees and franchise fees also contributed.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Expenses by Function
2017 Governmental Activities



The chart of expenses above portrays the relative proportion of expenditures by function. Public safety is the largest use of City resources, followed by public works, general government, culture and recreation, interest on long-term liabilities, and community development.

The \$6,020,974 or 14% increase in expenditures was mostly concentrated in the areas of general government, public safety and culture and recreation. The increases were due to higher legal fees, insurance claim premiums and settlements, payroll and benefit costs. Culture and recreation increases were due to increased activity on capital improvement projects.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Business-Type Activities

Business-type Activities Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
REVENUES:			
Charges for services	\$ 3,146	\$ 3,089	\$ 57
Other revenue	13	13	-
Interest revenue	39	26	13
Gain on sale of assets	<u>142</u>	<u>-</u>	<u>142</u>
Total Revenues	<u>3,340</u>	<u>3,128</u>	<u>212</u>
EXPENSES:			
Cost of services	1,551	1,336	215
Employee costs	181	182	(1)
Depreciation and amortization	338	305	33
Interest expense	<u>175</u>	<u>189</u>	<u>(14)</u>
Total Expenses	<u>2,245</u>	<u>2,012</u>	<u>233</u>
Change in net position	1,095	1,116	(21)
Net position - beginning of year	<u>13,218</u>	<u>12,102</u>	<u>1,116</u>
Net position - end of year	<u>\$ 14,313</u>	<u>\$ 13,218</u>	<u>\$ 1,095</u>

Business-type activities net position increased \$1,095,605 or 8%, due to revenues exceeding expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure compliance with finance-related legal requirements. The fund basis financial statements presented in this report address the need of the City to demonstrate compliance with financial restrictions and allow the statement's users to separately analyze individual funds.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83,265,059, compared to \$87,576,626 at June 30, 2016. The main factors impacting fund balances were from a decrease in Measure F since that sales tax measure ended, and expenses related to the downtown SMART station and the purchase of property.

Of the total fund balance, \$1,152,159 is unassigned. The remainder of the fund balance of \$82,112,900, is either nonspendable, restricted, or assigned for specific purposes.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$28,103,134, of which \$5,090,706 was nonspendable; \$555,518 was restricted for insurance; \$19,316,999 was assigned for capital projects, pension reserve, long-term maintenance, and emergency disaster & response; and \$3,139,911 was unassigned. The fund balance in the City's General Fund decreased by \$1,054,034 for the fiscal year ended June 30, 2017. The decrease in fund balance is primarily due to a decrease in Measure F funds, although this was partially offset by an increase related to city owned property following the sale of a parcel of land in the Hamilton area.

The Affordable Housing fund had a total fund balance of \$2,740,527, which was restricted for affordable housing purposes. Fund balance increased by \$95,855 due to a significant decrease in expenses that had been incurred in the previous year related to loans granted to two non-profit agencies that were one-time in nature.

The Capital Improvement Projects fund had a total fund balance of \$(483,104), which was restricted for capital projects. Fund balance slightly decreased by \$85,656.

The Restricted Revenue Fund does not have an ending fund balance as this fund is used to maintain project deposits.

The Development Impact Fee fund had a total fund balance of \$11,771,880, which was restricted for capital projects. Fund balance decreased by \$382,231, due to delays in capital projects for which this fund was the main funding source.

The Novato Public Financing Authority had a total fund balance of \$(1,153,646). Fund balance decreased by \$1,626,215 due to the financing and expenditures related to the downtown SMART station.

The Hamilton Trust Fund had a total fund balance of \$32,433,520 which was restricted. Fund balance slightly decreased by \$334,187 due to a decrease in the fair market value of the fund's investments.

The following table presents revenues from various sources as well as reflecting increases or decreases from the prior fiscal year in the governmental funds.

Revenues Classified by Source
Governmental Funds
For the Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Revenues by Source:				
Taxes	\$ 35,083	78 %	\$ 36,461	80 %
Licenses and permits	1,323	3 %	1,134	2 %
Intergovernmental	2,286	5 %	1,507	3 %
Fines and forfeitures	610	1 %	550	1 %
Use of money and property	1,251	3 %	2,108	5 %
Charges for services	4,096	9 %	3,941	8 %
Other revenues	910	2 %	650	1 %
Issuance of lease proceeds	17	-	69	-
	<u>\$ 45,576</u>	<u>101 %</u>	<u>\$ 46,420</u>	<u>100 %</u>

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

For this fiscal year, governmental revenues decreased \$844,471 or 2%. The majority of the decrease was due to decreased sales tax revenues resulting from the end of the Measure F local half-cent sales tax. Other revenues that saw a decline were in use of money and property related to decreases in the fair market value of the City's investments compared to the original costs of the investments. Areas that saw increases were intergovernmental revenues related to grants that had been awarded to the City for capital infrastructure projects and a small uptick in fees from charges for services, related to increased development activity and parks and recreation program participation.

The following table presents expenditures by function compared to prior fiscal year's amount in the governmental funds.

Expenditures by Function
Governmental Funds
For the Years Ended June 30, 2017 and 2016
(in thousands)

Expenditures by Function	2017		2016	
	Amount	% of Total	Amount	% of Total
General government	\$ 7,702	16 %	\$ 7,027	16 %
Public safety	14,560	29 %	13,921	31 %
Public works	8,036	16 %	6,977	16 %
Culture & recreation	5,856	12 %	5,498	12 %
Community development	1,272	3 %	1,844	4 %
Capital outlay	8,595	17 %	5,626	13 %
Debt service: principal	2,107	4 %	2,047	5 %
Debt service: interest	1,282	3 %	1,250	3 %
Bond issuance costs	17	- %	-	- %
	<u>\$ 49,427</u>	<u>100 %</u>	<u>\$ 44,190</u>	<u>100 %</u>

Expenditures increased by \$5,237,594 or 12% during the year ended June 30, 2017. The most significant increases were in general government, public safety, public works, and capital outlay. The increases in general government, public safety and public works were largely due to higher legal, payroll, and capital improvement costs. The increase in capital outlay was mainly due to the purchase of a nearly 10-acre property in the downtown area adjacent to the City's senior center.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The fund includes activity related to the Marin Valley Mobile Country Club Park.

The net position for the City's internal service funds, at June 30, 2017, were \$4,082,083. Net position decreased by \$117,861 during fiscal 2017.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

General Fund Budget Modifications

The original fiscal year 2016-17 budget was adopted in June 2016. During the fiscal year, quarterly budget reports and budget amendment requests are submitted to Council for review and approval. The result of revisions made to the General Fund budget during the fiscal year was to increase estimated revenues by \$1,786,845 and increase estimated expenditures by \$3,586,532. The net impact of the budget changes was an increase to the deficiency of revenues and other financing sources over expenditures by \$1,799,687.

General Fund Operating Variances

The revised budget projected a net decrease in fund balance of \$8,752,090 and the actual results were a net decrease of \$(1,054,034), which equates to a positive variance of \$7,698,056.

The variance in revenues is partly attributable to revenues being higher than the revised budget by \$1,414,064. This is primarily due to increased tax revenues.

Expenditures were \$6,264,045 lower than projected primarily due to unfilled positions and delays in capital improvement projects, which decreased expenditures related to those projects.

Capital Assets and Debt Administration

Capital Assets

Detailed information regarding composition and activity in capital assets is provided in Note 5 to the financial statements. The City's investment in capital assets as of June 30, 2017 totaled \$272,995,732 (net of accumulated depreciation). The investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, highways, drainage systems, and construction in progress.

CAPITAL ASSETS (NET OF DEPRECIATION) (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 123,559	\$ 122,441	\$ 11,840	\$ 11,840	\$ 135,399	\$ 134,281
Construction in progress	9,388	5,516	-	-	9,388	5,516
Buildings & improvements	35,409	36,036	3,518	3,434	38,927	39,470
Furniture & equipment	630	740	49	64	679	804
Infrastructure	87,115	89,642	-	-	87,115	89,642
Vehicles	<u>1,488</u>	<u>1,545</u>	<u>-</u>	<u>-</u>	<u>1,488</u>	<u>1,545</u>
Total	<u>\$ 257,589</u>	<u>\$ 255,920</u>	<u>\$ 15,407</u>	<u>\$ 15,338</u>	<u>\$ 272,996</u>	<u>\$ 271,258</u>

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Governmental Activities Long-term Debt

At June 30, 2017, the City's governmental and business-type activities had total long-term debts and obligations as scheduled below.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Outstanding June 30, 2017</u>
<u>Governmental Activities</u>		
General obligation bonds:		
Series 2007	2027	\$ 3,255,000
Pension obligation bonds, A-1 & A-2	2035	18,804,748
2013 General obligation refunding bonds	2025	<u>7,117,907</u>
Bond issuance premiums (discounts)		
Series 2007 premium		131,019
Pension obligation bonds discount		(94,202)
Clean Renewable Energy Bonds (CREBS)	2024	626,478
Capital leases	2020	<u>153,743</u>
Compensated absences		<u>1,365,593</u>
Total governmental activities		<u>\$ 31,360,286</u>
<u>Business-type Activities</u>		
Senior Promissory Note	2028	<u>\$ 5,895,888</u>

Additional information about the City's long-term debt can be found in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

During fiscal year 2016-2017, the local economy remained strong. Real estate continued its upward trend, fueled by extremely attractive mortgage rates. Retail, particularly automobile sales, increased from the previous year, and have now returned to pre-recession levels. Novato's unemployment rate decreased slightly to 3.1%, 0.4% lower than a year earlier and equal to the Marin County rate. Sales tax revenues decreased in FY 16/17, primarily due to the City's fiveyear 0.5% sales tax measure (Measure F) that had sunset on March 31, 2016. This was partially replaced by an ongoing 0.25% sales tax measure (Measure C) that was approved by voters in the November 2015 election and which took effect on April 1, 2016. Assessed property values in the City increased 5.5% in 2016/17, although this was lower than the prior year's 6.7%. That trend is continuing into FY 17/18, with another increase of more than 5%. Overall, tax revenues are projected to increase approximately 3% in FY 17/18. Other revenues are expected to remain steady, or increase slightly.

Expenditures continue to increase in several key areas: employee compensation, most notably PERS retirement, contributions toward medical premiums, and workers compensation; utilities and liability insurance costs also continue to rise faster than CPI. These expenditure trends are expected to continue for the foreseeable future.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year 2017-18 Budget

The FY 17-18 adopted budget reflects investments in core city services that the community values, including public safety; investing the funds necessary to maintain our infrastructure, parks and facilities; and fostering economic development. This budget also reflects the second year of three year agreements with the various bargaining units, and continues to fund several limited term positions, particularly in areas that were cut significantly during the recession.

Expenditures are anticipated to be significantly higher than revenues citywide for the upcoming year, mainly due to ongoing large capital projects.

City's Stability Outlook

The City's General Fund major revenue sources are taxes and charges for services. Taxes currently represent 82% of General Fund revenues and will remain a primary source of revenue for the future. The tax category includes Real Estate Property Taxes, Real Property Transfer Tax, Sales and Use Tax, Hotel Tax, Business License Taxes, and Franchise Fees.

Charges for services represent about 8% of General Fund revenues and comprise various fees charged by Parks & Recreation, Community Development, Public Works and Police for City services. These revenues are highly dependent upon community participation in the City's programs and the amount of development and construction over the past two years and is mostly the result of improvement in the housing and construction market activities, as well as increased participation in the City's recreation programs. The City has adopted a policy which requires an annual review of fees to ensure that fees charged cover the costs of providing the services.

The General Fund is balanced for FY 17-18.

REQUESTS FOR INFORMATION

This financial report is designed to provide a comprehensive and understandable portrayal of the City's finances, and to fulfill the City's financial accountability to Novato Citizens, governmental entities, and other interested parties. Questions about this report or requests for prior years' financial statements may be addressed to:

City of Novato
Finance Department
922 Machin Avenue
Novato, CA 94945

CITY OF NOVATO
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 52,220,120	\$ 4,887,580	\$ 57,107,700
Cash with fiscal agent (Note 2)	76,544	-	76,544
Accounts receivable	1,564,302	-	1,564,302
Loans receivable (Note 3)	2,838,204	-	2,838,204
Interest receivable	351,874	-	351,874
Taxes receivable	2,336,835	-	2,336,835
Advances to Successor Agency (Note 13)	5,376,334	-	5,376,334
Prepaid expenses	85,056	-	85,056
Restricted cash and cash equivalents (Note 2)	30,352,992	-	30,352,992
Bond issuance costs, net (Note 6)	161,442	-	161,442
Other assets	362,100	-	362,100
Capital assets (Note 5)			
Land and construction in progress	132,946,991	11,840,000	144,786,991
Other capital assets, net of depreciation	<u>124,641,434</u>	<u>3,567,307</u>	<u>128,208,741</u>
Total capital assets	<u>257,588,425</u>	<u>15,407,307</u>	<u>272,995,732</u>
Total Assets	<u>353,314,228</u>	<u>20,294,887</u>	<u>373,609,115</u>
Deferred Outflows of Resources			
2017 Pension contributions (Note 9)	3,458,772	-	3,458,772
Changes in the net pension liability (Note 9)	<u>7,010,252</u>	-	<u>7,010,252</u>
Total Deferred Outflows of Resources	<u>10,469,024</u>	-	<u>10,469,024</u>
LIABILITIES			
Accounts payable	\$ 2,213,165	\$ 85,360	\$ 2,298,525
Accrued payroll and benefits	731,144	-	731,144
Accrued liabilities	3,330	-	3,330
Accrued interest payable	194,101	-	194,101
Unearned revenue	356,505	60	356,565
Deposits payable	2,492,380	100	2,492,480
Other postemployment benefits (Note 10)			
Due in more than one year	761,614	-	761,614
Net pension liability (Note 9)			
Due in more than one year	42,257,576	-	42,257,576
Claims payable (Note 11)			
Due within one year	629,771	-	629,771
Due in more than one year	1,567,273	-	1,567,273
Accrued compensated absences (Note 6):			
Due within one year	36,069	-	36,069
Due in more than one year	1,329,524	-	1,329,524
Long-term liabilities (Note 6):			
Due within one year	2,244,258	489,636	2,733,894
Due in more than one year	<u>27,750,435</u>	<u>5,406,252</u>	<u>33,156,687</u>
Total Liabilities	<u>82,567,145</u>	<u>5,981,408</u>	<u>88,548,553</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in the net pension liability (Note 9)	<u>4,563,083</u>	-	<u>4,563,083</u>
Total Deferred Inflows of Resources	<u>4,563,083</u>	-	<u>4,563,083</u>
NET POSITION			
Net investment in capital assets	246,398,480	9,511,419	255,909,899
Restricted for:			
Debt service	1,794,819	4,802,060	6,596,879
Capital projects	13,779,943	-	13,779,943
Grants, taxes, and fees	38,360,667	-	38,360,667
Insurance	555,518	-	555,518
Unrestricted	<u>(24,236,403)</u>	-	<u>(24,236,403)</u>
Total Net Position	<u>\$ 276,653,024</u>	<u>\$ 14,313,479</u>	<u>\$ 290,966,503</u>

See accompanying notes to the basic financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total Primary Government
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 10,620,762	\$ 2,004,275	\$ 73,311	\$ -	\$ (8,543,176)	\$ -	\$ (8,543,176)
Public safety	15,305,691	483,066	517,156	770	(14,304,699)	-	(14,304,699)
Public works	12,593,990	378,351	-	1,622,416	(10,593,223)	-	(10,593,223)
Culture and recreation	7,137,128	2,351,502	32,453	-	(4,753,173)	-	(4,753,173)
Community development	1,450,979	2,221,831	39,423	-	810,275	-	810,275
Interest and fiscal charges	<u>1,598,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,598,968)</u>	<u>-</u>	<u>(1,598,968)</u>
Total governmental activities	<u>48,707,518</u>	<u>7,439,025</u>	<u>662,343</u>	<u>1,623,186</u>	<u>(38,982,964)</u>	<u>-</u>	<u>(38,982,964)</u>
Business-type activities:							
Marin Valley Mobile Country Club	<u>2,244,803</u>	<u>3,146,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901,301</u>	<u>901,301</u>
Total primary government	<u>\$ 50,952,321</u>	<u>\$ 10,585,129</u>	<u>\$ 662,343</u>	<u>\$ 1,623,186</u>	<u>\$ (38,982,964)</u>	<u>\$ 901,301</u>	<u>\$ (38,081,663)</u>
General revenues:							
Property taxes					\$ 17,062,356	\$ -	\$ 17,062,356
Sales and use taxes					12,406,239	-	12,406,239
Motor vehicle and gas taxes					1,086,140	-	1,086,140
Other taxes					4,528,647	-	4,528,647
Use of money and property					1,941,956	39,462	1,981,418
Gain on sale of assets					-	141,792	141,792
Other revenue					<u>409,631</u>	<u>13,050</u>	<u>422,681</u>
Total general revenues					<u>37,434,969</u>	<u>194,304</u>	<u>37,629,273</u>
Change in net position					<u>(1,547,995)</u>	<u>1,095,605</u>	<u>(452,390)</u>
Net position - July 1, 2016					277,904,908	13,217,874	291,122,782
Prior period restatement (Note 14)					<u>296,111</u>	<u>-</u>	<u>296,111</u>
Net position - July 1, 2016, restated					<u>278,201,019</u>	<u>13,217,874</u>	<u>291,418,893</u>
Net position - June 30, 2017					<u>\$ 276,653,024</u>	<u>\$ 14,313,479</u>	<u>\$ 290,966,503</u>

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

	General Fund	Affordable Housing Program	Capital Improvement Projects	Restricted Revenue	Development Impact Fee
<u>ASSETS</u>					
Cash and investments	\$ 22,748,172	\$ 883,363	\$ 255,656	\$ 1,942,673	\$ 10,840,243
Cash with fiscal agent	-	-	-	-	-
Restricted cash and investments	294,587	-	-	-	-
Accounts receivable	787,136	-	-	-	-
Notes receivable	9,594	2,828,610	-	-	-
Interest receivable	176,701	-	-	-	-
Taxes receivable	2,327,185	-	-	-	-
Due from other funds	1,427,747	-	-	-	-
Advances to other funds	775,000	-	-	-	-
Advances to Successor Agency	2,502,035	-	-	-	942,000
Prepaid items	70,556	-	14,500	-	-
Other assets	-	362,100	-	-	-
	<u>\$ 31,118,713</u>	<u>\$ 4,074,073</u>	<u>\$ 270,156</u>	<u>\$ 1,942,673</u>	<u>\$ 11,782,243</u>
Total Assets					
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 1,302,819	\$ 4,936	\$ 753,260	\$ -	\$ -
Accrued payroll and benefits	731,144	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits and other payables	549,707	-	-	1,942,673	-
Unearned revenues	307,416	-	-	-	10,363
Advances from other funds	124,493	-	-	-	-
	<u>3,015,579</u>	<u>4,936</u>	<u>753,260</u>	<u>1,942,673</u>	<u>10,363</u>
Total Liabilities					
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenues - housing loans	-	1,328,610	-	-	-
	<u>-</u>	<u>1,328,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES (DEFICITS)</u>					
Nonspendable	5,090,706	-	-	-	-
Restricted	555,518	2,740,527	-	-	11,771,880
Assigned	19,316,999	-	-	-	-
Unassigned	3,139,911	-	(483,104)	-	-
	<u>28,103,134</u>	<u>2,740,527</u>	<u>(483,104)</u>	<u>-</u>	<u>11,771,880</u>
Total Fund Balances (Deficits)					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,118,713</u>	<u>\$ 4,074,073</u>	<u>\$ 270,156</u>	<u>\$ 1,942,673</u>	<u>\$ 11,782,243</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Novato Public Financing Authority</u>	<u>Permanent Fund - Hamilton Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 388,919	\$ -	\$ 9,980,095	\$ 47,039,121
Cash with fiscal agent	10,517	-	66,027	76,544
Restricted cash and investments	-	30,058,405	-	30,352,992
Accounts receivable	-	-	772,011	1,559,147
Notes receivable	-	-	-	2,838,204
Interest receivable	-	175,115	58	351,874
Taxes receivable	-	-	9,650	2,336,835
Due from other funds	-	-	-	1,427,747
Advances to other funds	-	2,200,000	-	2,975,000
Advances to Successor Agency	651,725	-	697,572	4,793,332
Prepaid items	-	-	-	85,056
Other assets	-	-	-	362,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,051,161</u>	<u>\$ 32,433,520</u>	<u>\$ 11,525,413</u>	<u>\$ 94,197,952</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 443	\$ -	\$ 126,075	\$ 2,187,533
Accrued payroll and benefits	-	-	-	731,144
Accrued liabilities	-	-	3,330	3,330
Due to other funds	-	-	737,802	737,802
Deposits and other payables	-	-	-	2,492,380
Unearned revenues	4,364	-	30,458	352,601
Advances from other funds	<u>2,200,000</u>	<u>-</u>	<u>775,000</u>	<u>3,099,493</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,204,807</u>	<u>-</u>	<u>1,672,665</u>	<u>9,604,283</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenues - housing loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,328,610</u>
 <u>FUND BALANCES (DEFICITS)</u>				
Nonspendable	-	-	354,855	5,445,561
Restricted	-	32,433,520	9,730,029	57,231,474
Assigned	-	-	118,866	19,435,865
Unassigned	<u>(1,153,646)</u>	<u>-</u>	<u>(351,002)</u>	<u>1,152,159</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>(1,153,646)</u>	<u>32,433,520</u>	<u>9,852,748</u>	<u>83,265,059</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,051,161</u>	<u>\$ 32,433,520</u>	<u>\$ 11,525,413</u>	<u>\$ 94,197,952</u>

See accompanying notes to the basic financial statements.

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

Total fund balances of governmental funds	\$ 83,265,059
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$138,917,931.	256,100,224
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and therefore are offset by deferred inflow of resources in the governmental funds.	1,328,610
Deferred outflows of resources related to 2017 pension contributions were made subsequent to the measurement date.	3,416,567
Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period.	6,919,311
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Long-term liabilities net of premiums and discounts	(29,994,693)
Compensated absences	(1,365,593)
Net OPEB obligation	(761,614)
Net pension liability	(41,764,754)
Deferred inflows related to changes in the net pension liability	(4,539,517)
Bond insurance issuance costs, net of accumulated amortization for debt issuance costs are expensed when incurred and, therefore are not reported in the governmental funds.	161,442
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(194,101)
Internal service funds are used by management to charge costs of certain activities such as equipment replacement, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities of the Statement of Net Position.	<u>4,082,083</u>
Net position of governmental activities	<u>\$ 276,653,024</u>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Affordable Housing Program</u>	<u>Capital Improvement Projects</u>	<u>Restricted Revenue</u>	<u>Development Impact Fee</u>
REVENUES					
Taxes	\$ 29,962,540	\$ -	\$ -	\$ -	\$ -
License and permits	1,322,662	-	-	-	-
Intergovernmental	430,380	-	-	-	-
Fines and forfeitures	610,177	-	-	-	-
Use of money and property	455,420	42,923	-	-	107,135
Charges for services	3,528,578	96,313	-	-	270,162
Other revenues	<u>635,626</u>	<u>38,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>36,945,383</u>	<u>177,363</u>	<u>-</u>	<u>-</u>	<u>377,297</u>
EXPENDITURES					
Current:					
General government	7,395,922	-	-	-	-
Public safety	14,455,595	-	-	-	-
Public works	6,669,466	-	-	-	-
Cultural and recreation	5,723,564	-	-	-	-
Community development	1,109,730	133,125	-	-	-
Capital outlay	1,608,678	-	6,885,766	-	-
Debt service:					
Principal	200,764	-	-	-	-
Interest and fiscal charges	9,691	-	-	-	-
Loan issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>37,173,410</u>	<u>133,125</u>	<u>6,885,766</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(228,027)</u>	<u>44,238</u>	<u>(6,885,766)</u>	<u>-</u>	<u>377,297</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	16,962	-	-	-	-
Transfers in	2,973,511	52,373	6,800,394	-	-
Transfers out	<u>(3,816,480)</u>	<u>(756)</u>	<u>(284)</u>	<u>-</u>	<u>(759,528)</u>
Total Other Financing Sources (Uses)	<u>(826,007)</u>	<u>51,617</u>	<u>6,800,110</u>	<u>-</u>	<u>(759,528)</u>
Net Change in Fund Balances	(1,054,034)	95,855	(85,656)	-	(382,231)
Fund Balances (Deficits) - July 1, 2016	<u>29,157,168</u>	<u>2,644,672</u>	<u>(397,448)</u>	<u>-</u>	<u>12,154,111</u>
Fund Balances (Deficits) - June 30, 2017	<u>\$ 28,103,134</u>	<u>\$ 2,740,527</u>	<u>\$ (483,104)</u>	<u>\$ -</u>	<u>\$ 11,771,880</u>

See accompanying notes to the basic financial statements.

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

	<u>Novato Public Financing Authority</u>	<u>Permanent Fund- Hamilton Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ 5,120,842	\$ 35,083,382
License and permits	-	-	-	1,322,662
Intergovernmental	-	-	1,855,149	2,285,529
Fines and forfeitures	-	-	-	610,177
Use of money and property	48,857	49,598	547,029	1,250,962
Charges for services	-	-	200,808	4,095,861
Other revenues	-	-	235,896	909,649
	<u>48,857</u>	<u>49,598</u>	<u>7,959,724</u>	<u>45,558,222</u>
Total Revenues	<u>48,857</u>	<u>49,598</u>	<u>7,959,724</u>	<u>45,558,222</u>
<u>EXPENDITURES</u>				
Current:				
General government	47,214	-	258,816	7,701,952
Public safety	-	-	103,982	14,559,577
Public works	-	-	1,366,469	8,035,935
Cultural and recreation	-	-	132,928	5,856,492
Community development	-	29,078	-	1,271,933
Capital outlay	-	-	100,529	8,594,973
Debt service:				
Principal	-	-	1,906,423	2,107,187
Interest and fiscal charges	-	-	1,272,066	1,281,757
Loan issuance costs	17,400	-	-	17,400
	<u>64,614</u>	<u>29,078</u>	<u>5,141,213</u>	<u>49,427,206</u>
Total Expenditures	<u>64,614</u>	<u>29,078</u>	<u>5,141,213</u>	<u>49,427,206</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,757)</u>	<u>20,520</u>	<u>2,818,511</u>	<u>(3,868,984)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from capital leases	-	-	-	16,962
Transfers in	270,000	-	1,353,087	11,449,365
Transfers out	<u>(1,880,458)</u>	<u>(354,707)</u>	<u>(5,096,697)</u>	<u>(11,908,910)</u>
Total Other Financing Sources (Uses)	<u>(1,610,458)</u>	<u>(354,707)</u>	<u>(3,743,610)</u>	<u>(442,583)</u>
Net Change in Fund Balances	(1,626,215)	(334,187)	(925,099)	(4,311,567)
Fund Balances (Deficits) - July 1, 2016	<u>472,569</u>	<u>32,767,707</u>	<u>10,777,847</u>	<u>87,576,626</u>
Fund Balances (Deficits) - June 30, 2017	<u>\$ (1,153,646)</u>	<u>\$ 32,433,520</u>	<u>\$ 9,852,748</u>	<u>\$ 83,265,059</u>

See accompanying notes to the basic financial statements.

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

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ (4,311,567)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	8,082,920
Depreciation expense	(5,934,095)
Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	
	(424,045)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt principal payments	2,107,187
Proceeds from capital lease	(16,962)
Issuance of debt and accreted interest	(310,343)
Net accretion on bond premiums/discounts	5,088
Compensated absences expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	
	(34,441)
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the Statement of Net Position.	
Amortization of bond issuance costs	(13,637)
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.	
Loan program receipts	(35,058)
Accrued interest	45,120
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.	
	19,081
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension expense related to deferred outflows and inflows of resources	(617,382)
Other postemployment benefits	8,000
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.	
	<u>(117,861)</u>
Change in net position of governmental activities	<u>\$ (1,547,995)</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities	Governmental Activities
	Marin Valley Mobile Country Club	Internal Service Funds
<u>ASSETS</u>		
Current Assets		
Cash and investments	\$ 4,887,580	\$ 5,180,999
Accounts receivable, net	-	5,155
Advances to other funds	-	124,493
	<u>4,887,580</u>	<u>5,310,647</u>
Total Current Assets		
Non Current Assets		
Advances to Successor Agency (Note 13)	-	583,002
Capital assets, net of accumulated depreciation	15,407,307	1,488,201
	<u>15,407,307</u>	<u>2,071,203</u>
Total Non-Current Assets		
	<u>20,294,887</u>	<u>7,381,850</u>
Total Assets		
	<u>20,294,887</u>	<u>7,381,850</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
2017 pension contributions	-	42,205
Changes in the net pension liability	-	90,941
	<u>-</u>	<u>133,146</u>
Total Deferred Outflows of Resources		
	<u>-</u>	<u>133,146</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	85,360	25,632
Due to other funds	-	689,945
Deposits	100	-
Unearned revenue	60	3,904
Long-term liabilities - current portion	489,636	-
Claims payable - current portion	-	629,771
	<u>575,156</u>	<u>1,349,252</u>
Total Current Liabilities		
	<u>575,156</u>	<u>1,349,252</u>
Non-Current Liabilities		
Long-term liabilities - net of current portion	5,406,252	-
Net pension liability	-	492,822
Claims payable - net of current portion	-	1,567,273
	<u>5,406,252</u>	<u>2,060,095</u>
Total Non-Current Liabilities		
	<u>5,406,252</u>	<u>2,060,095</u>
Total Liabilities		
	<u>5,981,408</u>	<u>3,409,347</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Changes in the net pension liability	-	23,566
	<u>-</u>	<u>23,566</u>
NET POSITION:		
Net investment in capital assets	9,511,419	1,488,201
Restricted for capital projects (expendable)	4,802,060	-
Unrestricted	-	2,593,882
	<u>14,313,479</u>	<u>4,082,083</u>
Total Net Position		
	<u>\$ 14,313,479</u>	<u>\$ 4,082,083</u>

See accompanying notes to the basic financial statements.

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

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Marin Valley Mobile Country Club</u>	<u>Internal Service Funds</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 2,403,750	\$ 1,410,325
Utilities	742,354	-
Other revenue	<u>13,050</u>	<u>-</u>
Total Operating Revenue	<u>3,159,154</u>	<u>1,410,325</u>
<u>OPERATING EXPENSES</u>		
Cost of services	1,550,824	1,576,639
Employee costs	181,242	-
Depreciation and amortization	<u>337,534</u>	<u>592,006</u>
Total Operating Expenses	<u>2,069,600</u>	<u>2,168,645</u>
Operating Income (Loss)	<u>1,089,554</u>	<u>(758,320)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	39,462	180,914
Gain on sale of capital assets	141,792	-
Interest expense	<u>(175,203)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>6,051</u>	<u>180,914</u>
Income (Loss) Before Transfers	<u>1,095,605</u>	<u>(577,406)</u>
<u>TRANSFERS</u>		
Transfers in	-	503,392
Transfers out	<u>-</u>	<u>(43,847)</u>
Total Transfers	<u>-</u>	<u>459,545</u>
Change in net position	1,095,605	(117,861)
Net Position - July 1, 2016	<u>13,217,874</u>	<u>4,199,944</u>
Net Position - June 30, 2017	<u>\$ 14,313,479</u>	<u>\$ 4,082,083</u>

See accompanying notes to the basic financial statements.

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

	Business-Type Activities	Governmental Activities
	Marin Valley Mobile Country Club	Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 3,155,177	\$ 1,291,592
Cash paid to suppliers	(1,646,957)	(1,240,364)
Cash paid to employees	(181,242)	-
Net Cash Provided by Operating Activities	1,326,978	51,228
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Interfund payments	-	297,741
Transfers from other funds	-	473,392
Transfers to other funds	-	(13,847)
Net Cash Provided by Non-Capital Financing Activities	-	757,286
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of assets	141,792	-
Acquisition of capital assets	(406,067)	(535,100)
Principal paid on long-term debt	(475,929)	-
Interest paid on long-term debt	(175,203)	-
Net Cash Used for Capital and Related Financing Activities	(915,407)	(535,100)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	39,442	180,914
Net Cash Provided by Investing Activities	39,442	180,914
Net Increase in Cash and Cash Equivalents	451,013	454,328
Cash and Cash Equivalents - July 1, 2016	4,436,567	4,726,671
Cash and Cash Equivalents - June 30, 2017	\$ 4,887,580	\$ 5,180,999
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	1,089,554	(758,320)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	337,534	592,006
Pension expense	-	(10,378)
Changes in assets and liabilities:		
Increase in accounts receivable	(4,037)	(767)
Decrease in accounts payable	(96,133)	(4,097)
Increase (decrease) in unearned revenue	60	(117,966)
Increase in claims payable	-	350,750
Net Cash Provided by Operating Activities	\$ 1,326,978	\$ 51,228

See accompanying notes to the basic financial statements.

CITY OF NOVATO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Redevelopment Obligation Retirement Fund	Agency Funds
<u>ASSETS</u>		
Cash and investments (Note 2)	\$ 1,134,784	\$ 4,882,713
Cash with fiscal agent (Note 2)	3,901,722	1,495,848
Other assets, net	-	34,071
Prepaid expenses	373,414	-
Deferred costs, net	<u>1,065,601</u>	<u>-</u>
Total Assets	<u>\$ 6,475,521</u>	<u>\$ 6,412,632</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	\$ -	\$ 6,000
Loans due to City	5,376,335	315,368
Deposits held in trust	15,040	6,091,264
Interest payable	756,297	-
Long-term liabilities	<u>43,634,421</u>	<u>-</u>
Total Liabilities	<u>\$ 49,782,093</u>	<u>\$ 6,412,632</u>
<u>NET POSITION</u>		
Held in trust for private purposes	<u>\$ (43,306,572)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

	<u>Redevelopment Obligation Retirement Fund</u>
<u>ADDITIONS</u>	
Property taxes	\$ <u>3,760,934</u>
Total Additions	<u>3,760,934</u>
<u>DEDUCTIONS</u>	
Contract services	200,205
Amortization	70,229
Interest expense	<u>2,275,170</u>
Total Deductions	<u>2,545,604</u>
Extraordinary loss (Note 13)	<u>(2,609,907)</u>
Change in Fiduciary Net Position	(1,394,577)
Fiduciary Net Position - July 1, 2016	<u>(41,911,995)</u>
Fiduciary Net Position - June 30, 2017	<u><u>\$ (43,306,572)</u></u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Novato was incorporated on January 21, 1960. The City operates under a Council/Manager form of government and provides the following services: public safety (police protection), highways and streets, public improvements, planning and zoning, parks and recreation, and general administration services.

The accounting policies of the City of Novato conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

The accompanying basic financial statements present the financial activity of the City along with the financial activities of its blended component units, which are entities for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are all blended.

City of Novato Public Financing Authority

The City of Novato Public Financing Authority ("NPFA") is a separate government entity that was created by a Joint Exercise of Powers Agreement between the City of Novato and the former Redevelopment Agency of the City of Novato. It is reported as if it were part of the primary government because the City Council, although acting in a different capacity, is the controlling authority. Accounting and administrative functions are performed by the City. The purpose of the NPFA was to acquire a building for the City of Novato Youth Activities Center Project and lease it to the City. The NPFA has not issued separate financial statements.

Novato Financing Authority

The Novato Financing Authority ("NFA" or "Authority") is a separate government entity, which was created by a Joint Exercise of Powers Agreement between the City of Novato and the former Redevelopment Agency of the City of Novato. The purpose of the NFA was to finance the acquisition, operation and maintenance of the Marin Valley Mobile Country Club Park (MVMCC). The NFA acquired the MVMCC property in 1997. Until 2011, the activities of the Authority, based on the nature of operations and the fact that the Authority could not freely dispose of the property, were reported as a nonexpendable trust fund within the fiduciary funds of the City. Ownership of the park was transferred to the City in March 2011. The NFA no longer owns any assets.

The activities of the MVMCC are being reported as part of the primary government because the City Council is the controlling authority. All accounting and administrative functions are performed by the property management company and fiscal agents in a trustee capacity. The City Council has agreed to continue assigning certain duties and obligations (operation of the MVMCC) to the Park Acquisition Corporation of Marin Valley Mobile Country Club Park pursuant to the Second Restated and Amended Delegation Agreement dated as of June 3, 2013. The financial transactions of the MVMCC are reported in an enterprise fund within the City's Business-Type Activities.

Related Organizations

There are many other governmental agencies, including the Novato Unified School District, Novato Fire Protection District, Novato Sanitary District, North Marin Water District, and the County of Marin, providing services within the City of Novato. Financial data of these other governmental agencies are not included in the financial statements of the City because the City does not exercise accountability over these organizations. The governing boards of these governmental agencies are independently elected.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. These standards require that the financial statements described below be presented.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service activities. Interfund services provided and used are not eliminated in the process of consolidation. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanent Funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds - Internal service funds are used to account for, and finance, services and commodities furnished by a designated department of a governmental unit to other departments of the same governmental unit. The City's internal service funds account for the operation, maintenance, and replacement of City vehicles and equipment; future replacement of major capital expenditures; and claim settlements and reimbursements in accordance with a joint powers agreement between the City and other Marin County cities.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private-Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in a separate fund.

Affordable Housing Fund - This fund accounts for resources used to assist qualifying families in the purchase of below market rate housing as well as the housing programs managed for the City by Hello Housing.

Capital Improvement Projects - accounts for capital project expenditures financed by grants, reimbursements, and transfers from other funds.

Restricted Revenue - This fund accounts for in-lieu deposits from developers for construction of public improvements.

Development Impact Fee - This fund accounts for fees paid by developers for public facilities.

Novato Public Financing Authority - This fund accounts for the financing activities and operational transactions of City owned properties.

Hamilton Trust Fund - This is a "permanent fund" as defined under GASB 34. This fund is used to account for fees paid by the developer of the Hamilton project in accordance with the trust agreement, and income and earnings on the corpus which are to be partially distributed to the City, as beneficiary, in accordance with the terms of the trust agreement.

The City reports the following major proprietary fund in the accompanying financial statements:

Marin Valley Mobile Country Club - This fund accounts for the operation and maintenance of the MVMCC mobile home park. Certain duties and obligations (operation of the park) have been assigned to the Park Acquisition Corporation of Marin Valley Country Club Park, a nonprofit, mutual benefit corporation, pursuant to the second restated and amended delegation agreement dated June 3, 2013.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City also reports the following fund types:

Agency Funds - These funds are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City as a agent for other governmental units or individuals.

The City administers ten agency funds, of which eight are used to receive assessments levied through property taxes and to pay debt service for six different districts: Pacheco Assessment District, Pacheco Valle CFD, Vintage Oaks CFD, Golden Gate Assessment District, Hamilton CFD, and Pointe Marin CFD. The remaining funds record activity related to deposits in trust (one associated with developments and one for the Buck Center), and one fund for unclaimed deposits.

Redevelopment Obligation Retirement Fund - This fund is a private-purpose trust fund and was created as a result of the State order to dissolve California Redevelopment Agencies. As the Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and proprietary activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources, and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The "economic resources" measurement focus and the accrual basis of accounting is used for trust funds.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and proprietary activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds's principal operations. The principal operating revenues of the enterprise and internal service funds are charges for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Marin levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year or levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Marin. The Teeter Plan authorizes the Auditor/Controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits tax monies to the City in three installments as follows:

55% remitted in December
40% remitted in April
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Marin for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, fines, interest, and other fees. Federal and state grants are considered receivable and accrue as revenue when reimbursable costs are incurred.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are recorded as outflows of resources in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are recorded as deferred inflows of resources to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

G. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements

In the government-wide financial statements, capital outlay with a cost of \$5,000 or more and a useful life of one year or longer are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and equipment	5 years
Vehicles	3 - 13 years
Buildings and improvements	50 years
Infrastructure	7-100 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

H. Compensated Absences

A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2017. Accumulated unpaid vacation is accrued when earned.

Upon termination, the City is not liable to pay for accrued sick leave; therefore, sick leave is recorded as an expenditure in the year used. The amounts accrued for financial statement purposes represent 100% of the administrative leave, professional leave, compensatory time off and vacation pay liabilities at June 30, 2017.

I. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, insurance costs, and deferred amounts on refunding is included in interest expense.

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

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflow of Resources

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

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. Pensions

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

L. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Equity Classifications

Government-wide Statements

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (1) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted or committed. The City Council assigns fund balances for specific purposes by resolution adopting the annual budget for the upcoming fiscal year, or by an amending budget resolution during the fiscal year.
- e. Unassigned - Amounts representing the residual classification for the general fund or any other fund with a negative fund balance.

Further detail about the City's fund balance classification is described in Note 8.

N. General Budget Policies

The City operates under the general laws of the State of California and annually adopts a budget for its governmental and proprietary funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one account to another within the same department. Debt service on bond issues constitutes a legally authorized "non-appropriated budget." Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Encumbrances are considered to be expenditures in the year the commitment is entered into. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2016, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The City did not have any such agreements as of June 30, 2017.

Government Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City does not have such a component unit; therefore is not affected by the implementation of this standard.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2017 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

Government Accounting Standards Board Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

Government Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

Government Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishments Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

NOTE 2: CASH AND INVESTMENTS

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

	<u>Cash and Investments</u>	<u>Cash with Fiscal Agent</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 52,220,120	\$ 76,544	\$ 30,352,992	\$ 82,649,656
Business-type activities	<u>4,887,580</u>	<u>-</u>	<u>-</u>	<u>4,887,580</u>
Total government-wide cash and investments	<u>57,107,700</u>	<u>76,544</u>	<u>30,352,992</u>	<u>87,537,236</u>
Fiduciary activities	<u>6,017,497</u>	<u>5,397,570</u>	<u>-</u>	<u>11,415,067</u>
Total cash and investments	<u>\$ 63,125,197</u>	<u>\$ 5,474,114</u>	<u>\$ 30,352,992</u>	<u>\$ 98,952,303</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2017 and consisted of the following:

Cash on hand	\$	3,850
Cash in banks		<u>1,388,541</u>
Total cash		<u>1,392,391</u>
Money market funds		357,615
Cash with fiscal agent - investment agreements		5,474,114
Local Agency Investment Fund (LAIF)		27,911,190
U.S. Treasuries		25,573,417
Federal agency securities		11,780,213
Federal agency collateralized mortgage obligations		1,948,858
Certificates of deposit		11,405,803
Corporate notes		<u>13,108,702</u>
Total investments		<u>97,559,912</u>
Total cash and investments	\$	<u>98,952,303</u>

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury obligations	N/A	None	None
U.S. Agency securities	N/A	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	15%	10%
Repurchase agreements	90 days	N/A	N/A
Medium term corporate notes	1 year	30%	15%
Money market funds	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable certificates of deposits	5 years	30%	None

The City complies with the provisions of California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Money market funds rated "AAAm" or better	None	None	None
Certificates of deposit	365 days	None	None
Guaranteed investment agreements	None	None	None
Commercial Paper rated "A-1+" or better	None	None	None
State municipal bonds	None	None	None
Bankers acceptances rated "A-1+" or better	365 days	None	None
Local agency investment fund (LAIF)	None	None	None

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair Value Measurements Using			Fair Value
	Level 1 Inputs	Level 2 inputs	Level 3 inputs	
Money market funds	\$ -	\$ 357,615	\$ -	\$ 357,615
U.S. Treasuries	-	25,573,417	-	25,573,417
Federal agency securities	-	11,780,213	-	11,780,213
Federal agency collateralized mortgages	-	1,948,858	-	1,948,858
Certificates of deposit	-	11,405,803	-	11,405,803
Corporate bonds	-	13,108,702	-	13,108,702
Held by bond trustee:				
Investment agreements	-	5,474,114	-	5,474,114
Total Investments	<u>\$ -</u>	<u>\$ 69,648,722</u>	<u>\$ -</u>	<u>\$ 69,648,722</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. The investment balance of \$27,911,190 is not subject to valuation on a recurring basis.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2017:

	Remaining Maturity			Fair Value
	< 12 months	1-5 years	> 5 years	
Money market funds	\$ 357,615	\$ -	\$ -	\$ 357,615
Local Agency Investment Fund	27,911,190	-	-	27,911,190
U.S. Treasuries	-	25,573,417	-	25,573,417
Federal agency securities	-	11,780,213	-	11,780,213
Federal agency collateralized mortgages	624,229	1,324,629	-	1,948,858
Certificates of deposit	4,602,354	6,803,449	-	11,405,803
Corporate bonds	1,226,204	11,882,498	-	13,108,702
Held by bond trustee:				
Investment agreements	-	-	5,474,114	5,474,114
	<u>\$ 34,721,592</u>	<u>\$ 57,364,206</u>	<u>\$ 5,474,114</u>	<u>\$ 97,559,912</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2017.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Money market funds	\$ 357,615	AAAm	Not rated	
Local Agency Investment Fund	27,911,190			Not rated
U.S. Treasuries	25,573,417	AA+	Aaa	
Federal agency securities	11,780,213	AA+	Aaa	
Federal agency collateralized mortgage obligations	1,948,858	AA+	Aaa	
Certificates of deposit	800,075	AA-	Aa1	
Certificates of deposit	1,332,022	A	A1	
Certificates of deposit	1,329,217	A+	A1	
Certificates of deposit	3,239,911	A+	Aa3	
Certificates of deposit	1,047,148	AA-	Aa2	
Certificates of deposit	2,306,788	AA-	Aa3	
Certificates of deposit	500,137	A-1	P-1	
Certificates of deposit	350,755	A-1+	AA2	
Certificates of deposit	499,750	A-1+	P-1	
Corporate bonds	1,031,369	A	A2	
Corporate bonds	318,940	A	A3	
Corporate bonds	601,885	A-	A3	
Corporate bonds	350,184	A	A1	
Corporate bonds	1,543,687	A+	A1	
Corporate bonds	679,696	A+	A2	
Corporate bonds	849,880	AA-	A1	
Corporate bonds	75,191	AA+	A1	
Corporate bonds	1,445,228	A-	A2	
Corporate bonds	720,478	AA+	Aa1	
Corporate bonds	460,731	AA	A1	
Corporate bonds	200,476	AA	Aa2	
Corporate bonds	959,786	AA-	Aa2	
Corporate bonds	1,155,788	AA-	Aa3	
Corporate bonds	350,854	AA+	Aaa	
Corporate bonds	681,895	AAA	Aaa	
Corporate bonds	801,519	BBB+	A3	
Corporate bonds	881,115	BBB+	Baa1	
Held by bond trustee:				
Investment agreements	<u>5,474,114</u>			Not rated
	<u>\$ 97,559,912</u>			

Concentration of Credit Risk

The investment policy of the City limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, LAIF, and local investment pools. There were no investments in any one issuer (other than mutual funds and external investment pools) that represented 5% or more of total City investments.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

As of June 30, 2017, the carrying amount of the City's deposits was \$1,392,391 and bank balances were \$1,308,127. Of the bank balance, \$250,000 was insured under FDIC and \$1,058,127 was uninsured.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

NOTE 3: LOANS RECEIVABLE

Loans receivable of \$2,838,204 at June 30, 2017 were comprised of the following:

Computer loan program

The City has adopted an employee computer purchase program in which the City purchases personal computers for employees and is repaid through payroll deductions the cost of the computer plus interest for a period not to exceed 36 months (interest is based on the LAIF rate plus .5%, and was 1.42% at June 30, 2017). The balance of the computer loans receivable at June 30, 2017 was \$9,594 and 19 employees were participating in the program.

Promissory note with Warner Creek Senior Housing, L.P.

In July 2008, the City loaned \$350,000 to Eden Housing, Inc. (a California nonprofit public benefit corporation and sole member of Warner Creek Senior Housing, L.P.) ("developer") to study the feasibility of developing, owning and operating 57 affordable senior housing units under a predevelopment loan agreement. The loan bears interest at 3% per annum, subject to provisions of a default rate as defined in the agreement. The agreement provides the opportunity for the developer to apply for additional loans from the City for the cost of acquisition of property, additional predevelopment expenses, and construction costs. In May 2009, the additional funding was approved to provide total funding from the City for this development project of \$1,504,000, and the developer drew down an additional \$600,000 in May 2009. The remaining balance on the loan was drawn down by the developer in February 2011. The loan is funded with proceeds from the City's Affordable Housing Fund. The City has a security interest in the property and the development. The note is to be repaid from residual receipts, as defined in the promissory note. The loan bears an interest rate of 3% per annum and the entire outstanding principal together with interest accrued thereon is payable in full on the 55th anniversary of the date the City issues the final certificate of occupancy for the development, but in no event later than March 1, 2070. Under the terms of the loan agreement, the City may forgive the amounts due under certain circumstances as defined in the agreement. The total loan receivable balance at June 30, 2017 was \$1,806,172 which includes \$306,172 of accrued interest.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

Low and Moderate Income Housing Property Loan

In November 2010, the City provided a loan in the amount of \$65,000 in connection with a sale of property, that is part of an affordable housing program designed to create, preserve, maintain and protect housing for persons of low and moderate income, and is secured by real property. Two additional loans, each for \$65,000, were issued in June 2012. The loan receivable balance at June 30, 2017 was \$195,000 which is included as a loan receivable on the accompanying Statement of Net Position.

Habitat for Humanity

In October 2015, the City entered into a loan agreement with Habitat for Humanity for the construction of ten affordable single family homes at Mt. Burdell Place. The loan is initially secured by the promissory note and deed of trust from Habitat for Humanity and thereafter by the option agreement, promissory note, and deed of trust to be executed by the buyers of the individual units. In connection with the City loan, Habitat for Humanity and the City has entered into an affordable housing agreement pursuant to which Habitat agreed to restrict the initial sale of the homes to low-income households. The loan bears simple interest at a rate of zero (0%) percent per annum. Repayment of the loan is not required until either the sale of the property or maturity of the loan/affordable housing agreement (55 years). The loan receivable balance at June 30, 2017 was \$427,438 which is included as a loan receivable on the accompanying Statement of Net Position.

Homeward Bound

In October 2015, the City entered into a loan agreement with Homeward Bound of Marin for the construction of Oma Village, a 14-unit affordable multi-family housing project. The loan is contingent upon Oma Village being maintained as an affordable housing project for a minimum term of 55 years. Repayment of the loan is not required until either the sale of the property or maturity of the loan/affordable housing agreement (55 years). The loan bears simple interest at a rate of zero percent (0%) per annum. The note is secured by the deed of trust. The loan receivable balance at June 30, 2017 was \$400,000 which is included as a loan receivable on the accompanying Statement of Net Position.

Promissory notes on shared appreciation loans

Certain housing units in the former redevelopment area are part of an affordable housing program designed to create, preserve, maintain and protect housing for persons of low or moderate income. Qualified persons ("Buyer") are able to purchase the housing units at below fair market value, as a result of the City's investment in the project. The City has a promissory note ("Note") with the Buyer for the amount of the difference between the fair market value and the purchase price of the unit, which is considered the City's initial equity contribution. No payments are due under the Note, unless the Buyer re-sells the unit to a non-eligible buyer or otherwise defaults on the Note, as defined in the agreement. The Note is cancelled if the Buyer sells the unit to another eligible buyer. If the Buyer sells to a non-eligible buyer, the City will receive a pro-rata share (based on the City's and Buyer's respective equity) of the appreciation of the Unit. As of June 30, 2017, no amounts have been recorded related to these loans as any payment is contingent on sales of units to non-eligible buyers in the future.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS

Due From / To Other Funds

The composition of interfund balances as of June 30, 2017 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>			
General Fund	State Grants	Deficit cash balance	\$ 2,269
	Federal Grants	Deficit cash balance	715,432
	Community Center Maintenance	Deficit cash balance	20,101
	Internal Service - Equipment Maintenance	Deficit cash balance	<u>689,945</u>
	Total Due From / To Other Funds		<u>\$ 1,427,747</u>

Advances To / From Other Funds

The composition of long-term interfund balances as of June 30, 2017 was as follows:

The General Fund is indebted to the Internal Service - Equipment Replacement Fund in the amount of \$124,493. The loan is related to the project costs of City administrative office building. Repayment of the loan occurs at a rate of \$70,000 per year (beginning in 2015) plus any accrued interest, accruing at the annual average rate of return on the City's investment portfolio.

In 2017, the Emergency & Disaster Reserve Fund of the General Fund loaned the Parks Measure A Fund \$775,000 to help fund the purchase of property. The loan is to be repaid over approximately 5 years at \$155,000 per year plus interest at the annual average rate of return on the City's investment portfolio.

In 2017, the Hamilton Trust Fund loaned the Novato Public Financing Authority \$2,200,000 for the partial financing of the City's SMART rail station. The loan bears interest at a rate of 3.65%. Principal and interest payments totaling \$77,975 are due each September 1 and March 1 through March 2037.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
General Fund	Special Police Projects	Fund share of equipment	\$ 7,000
	Capital Improvement Projects	CIP Projects	2,072,050
	Pension Obligation Bonds	Debt service	1,253,430
	Equipment Replacement	Annual MERA debt service	462,000
	Technology Replacement	Technology replacement	22,000
Affordable Housing Program	Pension Obligation Bonds	Debt service	756
Capital Improvement Projects	State Grants Fund	CIP Projects	284
Development Impact Fee	General Fund	Purchase of Lieb property	680,000
	General Fund	CIP projects	45,677
	Capital Improvement Projects	CIP projects	33,851
Novato Public Financing Authority	General Fund	Administration service charge	13,000
	Capital Improvement Projects	CIP projects	1,867,458
Hamilton Trust Fund	General Fund	Trust investment earnings	302,334
Hamilton Trust Fund	Affordable Housing Program	Trust investment earnings	<u>52,373</u>
		Total Major Governmental Interfund Transfers	<u>6,812,213</u>
<u>Non-Major Governmental Funds</u>			
Clean Stormwater	General Fund	Reserve for CIP projects	100,000
	Clean Stormwater CIP	Reserve for CIP projects	45,000
Parking Improvement Fund	Capital Improvement Projects	Reserve for CIP projects	28,627
Subdivision Park	General Fund	Purchase of Lieb property	240,000
	General Fund	Annual appraisal cost	500
	Capital Improvement Projects	CIP projects	42,041
Automation Surcharge	Pension Obligation Bonds	Debt service	2,095
Hamilton Community Facilities	Capital Improvement Projects	CIP projects	26,133
	Pension Obligation Bonds	Debt service	10,007
Hamilton Arts Center	Novato Public Financing Authority	Interfund loan repayment	270,000
Pointe Marin CFD	Pension Obligation Bonds	Debt service	6,400
San Pablo Landscaping	Hamilton Community Facilities	Maintenance fee	7,868
State Gas Tax	General Fund	Street maintenance costs	817,000
	Capital Improvement Projects	CIP projects	475,259
COPS Grant	Capital Improvement Projects	CIP projects	1,651
	Equipment Replacement	CIP projects	19,392
Federal Grant Fund	Capital Improvement Projects	CIP projects	1,147,085
Street Improvement (Measure A)	Capital Improvement Projects	CIP projects	714,741
Parks Measure A	General Fund	Purchase of Lieb property	775,000
	Capital Improvement Projects	CIP projects	239,352
	Pension Obligation Bonds	Debt service	6,400
Clean Stormwater CIP	Capital Improvement Projects	CIP projects	15,094
Community Center Maintenance	Capital Improvement Projects	CIP projects	<u>107,052</u>
		Total Non- Major Governmental Interfund Transfer	<u>5,096,697</u>
<u>Proprietary Funds</u>			
Equipment Maintenance	Pension Obligation Bonds	Debt service	13,847
Equipment Replacement	Capital Improvement Projects	CIP projects	<u>30,000</u>
		Total Proprietary Fund Transfers	<u>43,847</u>
		Total Interfund Transfers	\$ <u>11,952,757</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)

Intra-fund Transfers between Funds

The following table represents intra-fund transfers made during the year ended June 30, 2017:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description</u>	<u>Amount</u>
General Fund	LT Maintenance - Facilities	CIP project support	\$ 572,600
General Fund	LT Maintenance - Infrastructure	CIP project support	572,600
General Fund	Insurance Reserves	Reserves	300,000
General Fund	Emergency & Disaster Response	Emergency reserves	<u>1,205,318</u>
Total General Fund Intra-fund Transfers			\$ <u>2,650,518</u>

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description</u>	<u>Amount</u>
Equipment Replacement	Technology Replacement	Technology Reserves	\$ <u>572,600</u>
Total Internal Service Intra-fund Transfers			\$ <u>572,600</u>

Intra-fund transfers are not presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds nor the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary funds as they are presented on a net basis. However, the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance for the general fund on pages 143 - 144 and the Combining Schedule of Revenues, Expenses, and Changes in Net Position for the internal service funds on page 133 presents both intra-fund and interfund transfers.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS

Governmental Activities:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2017</u>
Capital assets not being depreciated					
Land	\$ 122,441,357	\$ 1,541,198	\$ (424,045)	\$ -	\$ 123,558,510
Construction-in-progress	<u>5,515,962</u>	<u>6,135,064</u>	<u>-</u>	<u>(2,262,545)</u>	<u>9,388,481</u>
Total capital assets not being depreciated	<u>127,957,319</u>	<u>7,676,262</u>	<u>(424,045)</u>	<u>(2,262,545)</u>	<u>132,946,991</u>
Capital assets being depreciated					
Buildings and improvements	44,877,018	-	-	266,689	45,143,707
Furniture and equipment	2,422,812	124,018	(30,828)	-	2,516,002
Infrastructure	<u>212,132,959</u>	<u>282,640</u>	<u>-</u>	<u>1,995,856</u>	<u>214,411,455</u>
Total capital assets being depreciated	<u>259,432,789</u>	<u>406,658</u>	<u>(30,828)</u>	<u>2,262,545</u>	<u>262,071,164</u>
Less accumulated depreciation					
Buildings and improvements	(8,840,845)	(893,753)	-	-	(9,734,598)
Furniture and equipment	(1,682,602)	(234,633)	30,828	-	(1,886,407)
Infrastructure	<u>(122,491,217)</u>	<u>(4,805,709)</u>	<u>-</u>	<u>-</u>	<u>(127,296,926)</u>
Total accumulated depreciation	<u>(133,014,664)</u>	<u>(5,934,095)</u>	<u>30,828</u>	<u>-</u>	<u>(138,917,931)</u>
Total Capital Assets, net	<u>254,375,444</u>	<u>2,148,825</u>	<u>(424,045)</u>	<u>-</u>	<u>256,100,224</u>
Internal Service Funds:					
Capital assets being depreciated					
Vehicles	<u>5,288,901</u>	<u>535,100</u>	<u>(98,230)</u>	<u>-</u>	<u>5,725,771</u>
Less accumulated depreciation					
Vehicles	<u>(3,743,794)</u>	<u>(592,006)</u>	<u>98,230</u>	<u>-</u>	<u>(4,237,570)</u>
Total Capital Assets, net	<u>1,545,107</u>	<u>(56,906)</u>	<u>-</u>	<u>-</u>	<u>1,488,201</u>
Total Governmental Activities	<u>\$ 255,920,551</u>	<u>\$ 2,091,919</u>	<u>\$ (424,045)</u>	<u>\$ -</u>	<u>\$ 257,588,425</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

General government	\$ 584,275
Public safety	567,599
Culture and recreation	779,986
Community development	16,355
Public works	<u>4,577,886</u>

Total governmental activities depreciation expense \$ 6,526,101

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type Activities:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2017</u>
Capital assets not being depreciated					
Land	\$ 11,840,000	\$ -	\$ -	\$ -	\$ 11,840,000
Capital assets being depreciated					
Buildings and improvements	6,842,578	398,656	-	-	7,241,234
Furniture and equipment	<u>115,762</u>	<u>7,391</u>	-	-	<u>123,153</u>
Total capital assets being depreciated	<u>6,958,340</u>	<u>406,047</u>	-	-	<u>7,364,387</u>
Less accumulated depreciation					
Buildings and improvements	(3,408,162)	(315,237)	-	-	(3,723,399)
Furniture and equipment	<u>(51,384)</u>	<u>(22,297)</u>	-	-	<u>(73,681)</u>
Total accumulated depreciation	<u>(3,459,546)</u>	<u>(337,534)</u>	-	-	<u>(3,797,080)</u>
Total Capital Assets, net	<u>\$ 15,338,794</u>	<u>\$ 68,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,407,307</u>

NOTE 6: LONG-TERM LIABILITIES

Governmental activities long-term debt issued and outstanding at June 30, 2017 was comprised of the following:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2017</u>
General obligation bonds:				
Series 2007	2027	3.55-4.125%	\$ 5,000,000	\$ 3,255,000
Pension obligation bonds, A-1 & A-2	2035	5.69-6.12%	18,296,066	18,804,748
2013 General obligation refunding bonds	2025	2.44%	10,710,450	7,117,907
Bond issuance premiums (discounts)				
Series 2007 premium				131,019
Pension obligation bonds discount				(94,202)
Clean Renewable Energy Bonds (CREBS)	2024	0.00%	1,533,000	626,478
Capital leases	2017-2020	2.10-4.81%	Various	153,743
Compensated absences				<u>1,365,593</u>
Total governmental activities				<u>\$ 31,360,286</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Business-type activities long-term debt issued and outstanding at June 30, 2017 was comprised of the following:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2017</u>
Bank of Marin	2028	2.8050%	\$ 7,900,000	\$ <u>5,895,888</u>

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2017:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 11,819,330	\$ -	\$ (1,446,423)	\$ 10,372,907	\$ 1,497,940
Pension obligation bonds	18,954,405	310,343	(460,000)	18,804,748	535,000
Clean renewable energy bonds	739,793	-	(113,315)	626,478	113,315
Premium (discount) on bonds, net	41,905	-	(5,088)	36,817	5,088
Capital leases	<u>224,230</u>	<u>16,962</u>	<u>(87,449)</u>	<u>153,743</u>	<u>92,915</u>
Total bonds and notes payable	<u>31,779,663</u>	<u>327,305</u>	<u>(2,112,275)</u>	<u>29,994,693</u>	<u>2,244,258</u>
Other liabilities:					
Compensated absences	<u>1,331,152</u>	<u>1,476,654</u>	<u>(1,442,213)</u>	<u>1,365,593</u>	<u>36,069</u>
Total Governmental Activities	<u>\$ 33,110,815</u>	<u>\$ 1,803,959</u>	<u>\$ (3,554,488)</u>	<u>\$ 31,360,286</u>	<u>\$ 2,280,327</u>
	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Business-type Activities					
Bank of Marin	\$ <u>6,371,857</u>	\$ -	\$ (475,969)	\$ <u>5,895,888</u>	\$ <u>489,636</u>
Total Business-type Activities	<u>\$ 6,371,857</u>	<u>\$ -</u>	<u>\$ (475,969)</u>	<u>\$ 5,895,888</u>	<u>\$ 489,636</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2017 follows:

A. Governmental Activities

General Obligation Bonds

The City has two outstanding general obligation bond issues: (1) \$5,000,000 Series 2007, dated March 14, 2007 and (2) \$10,710,450 Refunding, dated October 15, 2013.

(1) On March 14, 2007, the City issued \$5,000,000 General Obligation Bonds, Series 2007 to finance the acquisition and construction of capital improvements to various streets, storm drains and sidewalks within the City. The bonds were issued at a premium of \$264,781. These bonds are the third in a series of three bonds to be issued pursuant to a March 7, 2000 election whereby more than two-thirds of the votes cast by qualified electors were in favor of issuing the bonds.

(2) On October 8, 2013, the City Council approved the issuance of the 2013 general obligation refunding bonds in order to refinance the 1997A, 2000, and 2004 general obligation bonds in the amount of \$10,710,450. The prior bonds carried an average interest rate of 4.85%. The 2013 general obligation refunding bonds have an interest rate of 2.44%.

These bonds and the interest thereon are general obligations of the City. The City has the power and is obligated to levy ad valorem taxes for the payment of these bonds and interest thereon, on all property within the City subject to taxation by the City.

Pension Obligation Bonds

On June 29, 2006, the City issued Pension Obligation Bonds through the California Statewide Communities Development Authority in the total amount of \$18,296,066 to finance the City's employees' unfunded accrued actuarial liability ("UAAL") pension liability as determined by PERS. The bonds were issued as capital appreciation bonds at a discount of \$181,150.

Clean Renewable Energy Bonds

On February 10, 2009, the City issued Clean Renewable Energy Bonds ("CREBs") under section 54 of the Internal Revenue Code in the amount of \$1,213,525 to finance three solar system projects on City facilities. The City entered into a lease agreement with Municipal Finance Corporation ("corporation") whereby the City has leased to the corporation the City's teen/gymnastics center building ("property"), and the corporation made available to the City the borrowed funds to enable the City to finance the solar system projects. The corporation leases the property back to the City, and the City makes lease payments for the use of the property, which is used to repay the bonds. On June 11, 2009, the City issued additional CREBs in the amount of \$319,475 under an amendment to the lease agreement for a total obligation of \$1,533,000. The bonds do not bear interest. In lieu of receiving periodic interest payments, bondholders are allowed annual federal income tax credits.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Capital Leases

The City has entered into various capital leases for office equipment. The leases bear interest rates ranging from 2.10-4.81%, and offer a \$1 buyout option at the end of the term. Leased equipment under capital leases in capital assets at June 30, 2017 includes accumulated depreciation of \$93,989. The total related net value of the assets is \$100,727. Amortization of leased equipment under capital assets is included with depreciation expense.

Bond Issuance Insurance Costs

Capitalized bond insurance costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization, in the amount of \$161,442 in the government-wide financial statements. The balance is amortized using the straight line method over the bond terms which range from 20 to 30 years. Net amortization expense for bond insurance costs for the year ended June 30, 2017 was \$13,637.

Compensated Absences

At June 30, 2017, compensated absences totaled \$1,365,593, of which \$36,069 was recorded as a current liability and the non-current portion totaled \$1,329,524. For governmental activities, compensated absences are liquidated by the general fund.

Governmental Activities Long-Term Liabilities Future Debt Service

General Obligation Bonds

For the Year Ending June 30,	Principal		
	Series 2013	Series 2007	Total
2018	\$ 1,237,940	\$ 260,000	\$ 1,497,940
2019	1,267,844	250,000	1,517,844
2020	1,308,921	260,000	1,568,921
2021	1,346,989	270,000	1,616,989
2022	658,316	280,000	938,316
2023 - 2027	1,297,897	1,580,000	2,877,897
2028 - 2032	-	355,000	355,000
Total	\$ 7,117,907	\$ 3,255,000	\$ 10,372,907

For the Year Ending June 30,	Interest		
	Series 2013	Series 2007	Total
2018	\$ 158,574	\$ 125,788	\$ 284,362
2019	128,004	115,588	243,592
2020	96,567	105,388	201,955
2021	64,165	94,788	158,953
2022	39,700	83,788	123,488
2023 - 2027	64,138	237,968	302,106
2028 - 2032	-	7,322	7,322
Total	\$ 551,148	\$ 770,630	\$ 1,321,778

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Pension Obligation Bonds

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 535,000	\$ 799,752	\$ 1,334,752
2019	620,000	768,188	1,388,188
2020	705,000	731,608	1,436,608
2021	800,000	690,012	1,490,012
2022	900,000	642,812	1,542,812
2023 - 2027	6,355,000	2,272,082	8,627,082
2028 - 2032	6,338,612	3,975,462	10,314,074
2033 - 2037	<u>2,551,136</u>	<u>4,558,864</u>	<u>7,110,000</u>
Total	\$ <u>18,804,748</u>	\$ <u>14,438,780</u>	\$ <u>33,243,528</u>

Clean Renewable Energy Bonds

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 113,315	\$ -	\$ 113,315
2019	113,315	-	113,315
2020	113,315	-	113,315
2021	113,315	-	113,315
2022	113,315	-	113,315
2022 - 2027	<u>59,903</u>	<u>-</u>	<u>59,903</u>
Total	\$ <u>626,478</u>	\$ <u>-</u>	\$ <u>626,478</u>

Capital leases

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 92,915	\$ 6,207	\$ 99,122
2019	26,138	2,806	28,944
2020	23,661	1,470	25,131
2021	8,947	484	9,431
2022	<u>2,082</u>	<u>76</u>	<u>2,158</u>
Total	\$ <u>153,743</u>	\$ <u>11,043</u>	\$ <u>164,786</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Total Governmental Activities Future Debt Service

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,239,170	\$ 1,090,321	\$ 3,329,491
2019	2,277,297	1,014,586	3,291,883
2020	2,410,897	935,033	3,345,930
2021	2,539,251	849,449	3,388,700
2022	1,953,713	766,376	2,720,089
2023 - 2027	9,292,800	2,574,188	11,866,988
2028 - 2032	6,693,612	3,982,784	10,676,396
2033 - 2037	<u>2,551,136</u>	<u>4,558,864</u>	<u>7,110,000</u>
Total	\$ <u>29,957,876</u>	\$ <u>15,771,601</u>	\$ <u>45,729,477</u>

B. Business-type Activities

Bank of Marin Loan

On December 19, 2012, the 1997 Senior Revenue Bonds were refinanced through a loan agreement with Bank of Marin in the amount of \$7,900,000. The advance refunding was undertaken to reduce total debt service payments by \$5,468,591 and resulted in present value savings of \$4,241,669. All of the gross revenues with respect to the Park are pledged to secure the loan repayments. The City is required to maintain rates, fees, and charges for the services and facilities furnished by the Park which are sufficient to yield net revenues that are at least equal to 200% of the debt service each fiscal year. The interest rate on the loan is 2.805%. Principal and interest payments are due monthly in the amount of \$54,264, with the loan maturing in December 2027.

Business-type Activities Long-Term Liabilities Future Debt Service

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 489,636	\$ 161,536	\$ 651,172
2019	503,739	147,434	651,173
2020	517,890	133,283	651,173
2021	533,164	118,009	651,173
2022	548,520	102,653	651,173
2023 - 2027	2,988,595	267,189	3,255,784
2028 - 2032	<u>314,344</u>	<u>2,698</u>	<u>317,042</u>
Total	\$ <u>5,895,888</u>	\$ <u>932,802</u>	\$ <u>6,828,690</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: SPECIAL ASSESSMENT DEBT

The City acts as an agent for the property owners by collecting the assessments, forwarding the collections to the trustee and if appropriate, beginning foreclosure on the Assessment District No. 93-1 (Golden Gate Plaza). The City is not obligated in any manner for this special assessment debt, and is in no way liable for repayment. The City collects the assessment revenue and delivers the appropriate funds to the bond trustee. At June 30, 2017, the outstanding principal of the Assessment District No. 93-1 (Golden Gate Plaza) bond issue was \$565,000.

The City acts as an agent for the property owners by collecting the assessments, forwarding the collections to the trustee and if appropriate, beginning foreclosure on the City of Novato CFD No. 1994-1 Hamilton Field 2014 Loan Refinancing. The City is not obligated in any manner for this special assessment debt, and is in no way liable for repayment. The City collects the assessment revenue and delivers the appropriate funds to the bond trustee. At June 30, 2017 the outstanding principal of the City of Novato CFD No. 1994-1 Hamilton Field 2014 Loan Refinancing was \$10,547,342.

The City acts as an agent for the property owners by collecting the assessments, forwarding the collections to the trustee and if appropriate, beginning foreclosure on the City of Novato Community Facilities District No. 2002-1 (Pointe Marin) Special Tax bonds. The City is not obligated in any manner for this special assessment debt, and is in no way liable for repayment. The City collects the assessment revenue and delivers the appropriate funds to the bond trustee. The original bond was refunded in August 2007. At June 30, 2017 the outstanding principal of the City of Novato Community Facilities District No. 2002-1 (Pointe Marin) Special Tax Refunding bond issue was \$8,955,000.

The City acts as an agent for the property owners by collecting the assessments, forwarding the collections to the trustee and if appropriate, beginning foreclosure on the City of Novato Community Facilities District No.1 (Vintage Oaks) Special Tax Bond Refinancing Loan. The City is not obligated in any manner for this special assessment debt, and is in no way liable for repayment. The City collects the assessment revenue and delivers the appropriate funds to the bond trustee. At June 30, 2017, the outstanding principal of the City of Novato Community Facilities District No.1 (Vintage Oaks) Special Tax Bond Refinancing Loan was \$12,775,295.

NOTE 8: FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non Spendable: Amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted: Amounts subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. This fund balance type is essentially the same definition as restricted net position under GASB Statement No. 34.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action (resolution) of the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned: Amounts that are not restricted by the funding agency but are for specific purposes and assigned by City Council for that purpose. City Council's action in creating the fund is to ensure that the funds are used for their intended purpose. That purpose is not always planned for the current fiscal year as it may take several years to build up a sufficient fund balance to be able to implement the stated purpose. This classification also represents all remaining amounts (except negative balances) reported in governmental funds, other than the general fund, that are not classified as non spendable, restricted, or committed.

Unassigned: Residual amounts in the general fund, not classified as non spendable, restricted, committed, or assigned. For other governmental fund types, unassigned is only used when a deficit or negative fund balance occurs.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8: FUND BALANCE (CONTINUED)

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Currently, the City Council has not committed any fund balances. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

City policy is to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual general fund GAAP basis expenditures and other financing sources and uses. This balance is held, for internal tracking purposes, in an Emergency Reserve fund.

As of June 30, 2017, fund balances were comprised of the following:

	<u>General Fund</u>	<u>Other Major Funds</u>	<u>Permanent Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid items	\$ 70,556	\$ -	\$ -	\$ -	\$ 70,556
Advances	<u>5,020,150</u>	-	-	<u>354,855</u>	<u>5,375,005</u>
Total Nonspendable	<u>5,090,706</u>	-	-	<u>354,855</u>	<u>5,445,561</u>
Restricted					
Grants, taxes, & fees	-	-	32,433,520	5,927,147	38,360,667
Insurance	555,518	-	-	-	555,518
Capital projects	-	11,771,880	-	2,008,063	13,779,943
Affordable housing	-	2,740,527	-	-	2,740,527
Debt service	-	-	-	<u>1,794,819</u>	<u>1,794,819</u>
Total Restricted	<u>555,518</u>	<u>14,512,407</u>	<u>32,433,520</u>	<u>9,730,029</u>	<u>57,231,474</u>
Assigned					
Capital projects	5,188,524	-	-	-	5,188,524
CIP information technology	2,246,239	-	-	-	2,246,239
Risk mitigation	3,000,000	-	-	-	3,000,000
Operating	1,000,000	-	-	-	1,000,000
Employee recognition	350,000	-	-	-	350,000
Employee loans	9,594	-	-	-	9,594
Pension reserve	1,397	-	-	-	1,397
Emergency & disaster response	5,839,834	-	-	-	5,839,834
Long-term maintenance	<u>1,681,411</u>	-	-	<u>118,866</u>	<u>1,800,277</u>
Total Assigned	<u>19,316,999</u>	-	-	<u>118,866</u>	<u>19,435,865</u>
Unassigned					
	<u>3,139,911</u>	<u>(1,636,750)</u>	-	<u>(351,002)</u>	<u>1,152,159</u>
Total Fund Balance	<u>\$ 28,103,134</u>	<u>\$ 12,875,657</u>	<u>\$ 32,433,520</u>	<u>\$ 9,852,748</u>	<u>\$ 83,265,059</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 8: FUND BALANCE (CONTINUED)

Fund Balance Deficits

As of June 30, 2017, the following funds had a fund deficit:

<u>Fund</u>	<u>Deficit</u>
Capital Improvement Projects	\$ 483,104
Novato Public Financing Authority	1,153,646
Parks Measure A	351,002

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues.

NOTE 9: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pensions Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety and Miscellaneous Pension Plans. The City's Safety Plan is a cost-sharing multiple employer defined benefit pension plan, and the Miscellaneous Plan is an agent multiple-employer defined benefit pension plan, both administered by the California Public Employees' Retirement System (CalPERS). The cost-sharing multiple employer Safety Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Individual employers may sponsor more than one rate plan. The City sponsors three Safety rate plans within the cost-sharing pool. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

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

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 63	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.4% to 2.4%	1.0% - 2.5%
Required Employee Contribution Rates	7.00%	6.250%
Required Employer Contribution Rates	17.343%	17.343%

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Hire Date	Safety		
	Prior to January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
	Tier I	Tier II	PEPRA
Benefit Formula	3.0% @ 55	3.0% @ 55	2.7% @ 57
Final compensation	Single highest year	Three-year average	Three-year average
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 - 55	50 - 55	50 - 57
Monthly Benefits, as a % of Eligible Compensation	3.0%	3.0%	2.0% - 2.7%
Required Employee Contribution Rates	9.0%	9.0%	11.50%
Required Employer Contribution Rates*	35.011%	16.656%	12.082%

*Employer contribution rate is the sum of the employer normal cost rate and the employer unfunded accrued liability.

Employees Covered

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

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	210
Inactive employees entitled to but not yet receiving benefits	159
Active employees	<u>139</u>
Total	<u><u>508</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The City's contributions to the Miscellaneous Plan were \$1,763,678 for the year ended June 30, 2017, and the City's contributions to the Safety Plan were \$1,695,094 for the year ended June 30, 2017.

B. Net Pension Liability

The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The changes in the net pension liability for the Miscellaneous Plan was as follows:

<u>Miscellaneous Plan</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at July 1, 2016	\$ 86,967,241	\$ 70,906,095	\$ 16,061,146
Changes in the Year:			
Service cost	1,651,346	-	1,651,346
Interest on the total pension liability	6,475,684	-	6,475,684
Changes of assumptions	-	-	-
Differences between expected and actual experience	(999,532)	-	(999,532)
Plan to Plan Resource Movement	-	2,406	(2,406)
Contributions - employer	-	1,603,220	(1,603,220)
Contributions - employee	-	712,496	(712,496)
Net investment income	-	354,708	(354,708)
Benefit payments, including refunds of employee contributions	(4,287,852)	(4,287,852)	-
Administrative expense	-	(43,214)	43,214
Net Changes	<u>2,839,646</u>	<u>(1,658,236)</u>	<u>4,497,882</u>
Balance at June 30, 2017	<u>\$ 89,806,887</u>	<u>\$ 69,247,859</u>	<u>\$ 20,559,028</u>

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Safety Plan of \$21,698,548. The City's total net pension liability as of June 30, 2017 totaled \$42,257,576.

The City's Safety proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the cost-sharing pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Safety Plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.23386%
Proportion - June 30, 2016	0.25076%
Change - Increase (Decrease)	0.01690%

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 201 Experience Study Report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

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

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

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

The following presents the City's net pension liability for the Miscellaneous Plan and the proportionate share of the net pension liability for the Safety Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability and proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Net Pension Liability (Asset)</u>	<u>Discount Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Miscellaneous (total share)	\$ 31,483,679	\$ 20,559,028	\$ 11,419,950
Safety - (proportionate share)	\$ 33,909,257	\$ 21,698,548	\$ 11,674,808

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2017, the City recognized pension expense of \$4,070,418. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 3,458,772	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	-	1,315,571
Differences between actual and expected experience	-	864,786
Changes in assumptions	-	767,504
Adjustment due to differences in proportions	622,010	1,615,222
Net differences between projected and actual earnings on plan investments	6,388,242	-
Total	\$ 10,469,024	\$ 4,563,083

\$3,458,772 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	
2017	\$ (1,546,464)
2018	(613,994)
2019	2,933,556
2020	1,674,071

NOTE 10: OTHER POST EMPLOYMENT BENEFITS

Description of the Plan

The City provides health insurance benefits under the Blue Shield, Kaiser, PERS Choice, PERS Select, PERS Care or PORAC health plans to eligible retirees and dependents in accordance with various labor agreements. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. Part-time employees are not eligible.

As of the most recent actuarial report dated January 2016, the City reported 196 active employees and 159 retired employees.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount which was determined as part of a January 1, 2016 actuarial valuation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years. The City is currently pre-funding the full annual required contribution. For governmental activities, the contribution has been liquidated by the general fund. No separate financial statements are issued for the Plan.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB unfunded actuarial accrued liability as of January 1, 2016, the date of the most recent actuarial valuation totaled \$761,614.

Annual required contribution			
Service cost at year-end		\$	218,000
30-year amortization of funded liability			<u>234,000</u>
Total annual required contribution			<u>452,000</u>
Interest on net OPEB obligation			41,000
Adjustment to net OPEB obligation			<u>(49,000)</u>
Total annual OPEB cost			<u>444,000</u>
Employer contributions			(326,000)
Implicit subsidy			<u>(126,000)</u>
Net decrease in net OPEB obligation			(8,000)
Net OPEB obligation, July 1, 2016			<u>769,614</u>
Net OPEB obligation, June 30, 2017		\$	<u><u>761,614</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution & Implicit Subsidy</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2015	\$ 255,000	\$ 261,000	102.35 %	\$ 777,296
June 30, 2016	\$ 260,000	\$ 267,682	102.95 %	\$ 769,614
June 30, 2017	\$ 444,000	\$ 452,000	101.80 %	\$ 761,614

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of June 30, 2017, was as follows:

Actuarial accrued liability (AAL)		
Active employees	\$	1,866,000
Retired employees		<u>2,799,000</u>
		<u>4,665,000</u>
Actuarial value of plan assets		<u>977,798</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>3,687,202</u>
Funded Ratio (actuarial value of plan assets / AAL)		21 %
Covered payroll (active plan members)	\$	15,133,000
UAAL as a percentage of covered payroll		24 %

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

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

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal. The actuarial assumptions include a 6.25 percent discount rate of return based on full ARC being pre-funded, and disability and termination based on the CalPERS 1997-2011 experience study. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll over a with a 22-year fixed (closed) period fresh start for 2016-17 ARC. The general inflation rate is 3.0 percent and aggregate payroll increases are at 3.25%. The health care cost trend is based on actual health care plan premiums.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11: RISK MANAGEMENT (CONTINUED)

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. Obligations and liabilities of these risk pools are the City's responsibility.

A. Risk Pools

Bay Cities Joint Powers Insurance Authority (BCJPIA) covers general liability claims in an amount up to \$14,000,000. The City has a deductible or uninsured liability of up to \$250,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payments of all claims up to the limit. The City paid \$243,185 for claims and \$389,327 for insurance premiums during the fiscal year ended June 30, 2017.

The City is a participant in the BCJPIA workers compensation risk pool, which in turn participates in the Local Agency Workers Compensation Excess (LAWCX) Insurance Joint Powers Authority's risk pool, and LAWXCX in turn purchases coverage above the \$1 million coverage provided by its pool. The City has a self-insured retention of \$150,000 for claims, and the BCJPIA pool covers claims from \$150,000 to \$500,000. Claims from \$500,000 to \$50 million are covered by LAWXCX.

Financial statements for BCJPIA and LAWXCX may be obtained from Bickmore & Associates, 1750 Creekside Oaks Drive, Sacramento, CA 95833.

The City's contribution with each risk pool equals the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. During the fiscal year ended June 30, 2017, the City incurred costs of \$931,179 for coverage premiums and administration of the risk pools. During the past four fiscal years, none of the above programs have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from the prior year.

B. Liability for Uninsured Claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported ("IBNR"), based on claims experience. Undiscounted claims liabilities were as follows at June 30, 2017:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Projected known claims	\$ 819,397	\$ 152,527	\$ 971,924
Projected IBNR	<u>898,394</u>	<u>326,726</u>	<u>1,225,120</u>
Total Claims Liability	<u>\$ 1,717,791</u>	<u>\$ 479,253</u>	<u>\$ 2,197,044</u>
Claims liability - current	\$ 497,028	\$ 132,743	\$ 629,771
Claims liability - non-current	<u>1,220,763</u>	<u>346,510</u>	<u>1,567,273</u>
Total Claims Liability	<u>\$ 1,717,791</u>	<u>\$ 479,253</u>	<u>\$ 2,197,044</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and transfers (excluding extraordinary items) in excess of appropriations in the following amounts for the year ended June 30, 2017:

Fund	Excess Expenditures and Transfers
Hamilton Trust Fund	\$ 70,707
Automation Surcharge	\$ 16,854
Hamilton Arts Center	\$ 53,013
Justice Assistance Grants	\$ 394
General Obligation	\$ 1,455
Pension Obligation Bond	\$ 2,843

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

NOTE 13: CONTINGENCIES AND COMMITMENTS

Grant Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions, with the exception of litigation described below. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

Novato Redevelopment Agency Dissolution Clawback

Per the requirements of AB 1484 with respect to the dissolution of redevelopment agencies, the City hired a third-party auditor to conduct a series of “due diligence reviews” to establish the unencumbered balances of the Novato Successor Agency that were available to be transferred to the county auditor controller for distribution to taxing agencies. The independent auditor conducted the reviews and found that there were no unencumbered assets available for transfer. However, the California Department of Finance disagreed with the auditor’s conclusions and has demanded the return of \$5,219,813 previously re-paid by the RDA to the City for loans made by the City to the RDA. The City disagreed with the Department of Finance’s determination, and on May 22, 2013, filed a petition for writ of mandate in Sacramento County Superior Court (City of Novato, et al. v. State of California et al., Sacramento County Superior Court Case No. 34-2013-80001496) seeking a judicial determination that the Department of Finance’s demand is contrary to law and invalid.

Subsequently, on October 9, 2013, the Department of Finance sent the City a demand letter for payment of the \$5,219,813, stating that if the City did not remit the funds within 30 days, that proceedings would be initiated to withhold the City’s sales and property tax revenues as an offset in an attempt to recover the money that is claimed to be owed. Due to the pending lawsuit, the City had declined to remit payment and timely provided the Department of Finance with a letter in response that warned the Department of Finance that any withholding of the City’s sales and property taxes violated provisions of the California Constitution as well as statutory law.

The State Controller also had the responsibility to conduct an “asset transfer review” of each former redevelopment agency to supposedly identify any improper transfers of cash or assets that were made by a redevelopment agency during the first six months of 2011. The Controller issued his final asset transfer review report in December 2013 and it identified the same \$5,219,813 that is had previously claimed needed to be transferred back to the Successor Agency.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13: CONTINGENCIES AND COMMITMENTS (CONTINUED)

In August 2015, the legislature adopted, and the Governor subsequently signed into law, SB 107, which clarified and modified a number of provisions of the dissolution law. One requirement was that successor agencies either pay all disputed / litigated amounts owed by December 31, 2015 or enter into an installment payment plan with the Department of Finance to pay back the monies owed. If successor agencies fail to do one of these 2 things, then they would never be eligible for a "finding of completion" under the dissolution law. In December 2015, the City did enter into such a payment plan, with half of the \$5,219,813 to be paid on January 15, 2016 and the remaining half due on January 15, 2017. The City made the first payment as required on January 15, 2016.

Subsequent to the installment payment plan and the January 2016 payment, oral arguments for the City's lawsuit were heard in Sacramento Superior Court on March 25, 2016. On May 13, 2016, the judge entered his final ruling in the case, deciding in favor of the Department of Finance and rejecting the City's claims. On May 26, 2016, the City filed a notice of appeal in the case.

Since the \$5,219,813 originally represented loans made to the RDA by the City, which were then subsequently repaid to the City, the City has reversed those transactions as it repays the amounts that the Department of Finance and State Controller claim it owes. The City "re-loaned" the successor agency the first payment of \$2,609,907 in January 2016. The successor agency then immediately sent the \$2,609,907 to the Marin County Auditor-Controller for distribution to the taxing entities, which was recorded as an extraordinary loss for the successor agency. The City remitted and recorded the second payment in January 2017 in an identical fashion. Both payments, totaling \$5,219,813 are included in the balance of \$5,376,334 in the Statement of Net Position as advances to the successor agency. Once the lawsuit is resolved, if the City is not successful, it intends to apply for reinstatement of said loans through the Oversight Board process, as permitted by SB 107, to obtain repayment of the loans over time.

NPFA Lease

The City's former Redevelopment Agency leased a facility (Community Gymnastics Teen Center) from the Novato Public Financing Authority ("NPFA") under a thirty-year non-cancelable operating lease expiring in February 2028. Under the terms of the lease, rent is equal to the semi-annual payments due on the NPFA's loan obligation on the facility, as defined. The Agency prepaid the rent for the remaining term of the lease in fiscal 2006 in the amount of \$1,203,296, and in turn the outstanding loan obligation on the facility in the principal amount of \$1,168,249 was paid during the fiscal year ended June 30, 2006, along with \$35,047 of accrued interest.

Marin Emergency Radio Authority Obligation

The City of Novato is a member of the Marin Emergency Radio Authority (MERA), along with the County of Marin and twenty-four other local government agencies. MERA's purpose is to plan, finance, implement, own, and operate a multi-jurisdictional and county-wide public safety and emergency radio system. To finance this system, the MERA in 1999 issued approximately \$27 million in revenue bonds. In 2007 MERA borrowed an additional \$2,250,000 from Citizen's Business Bank to finance infrastructure needs. Under the joint powers agreement with MERA, the City is obligated to make payments to MERA for use of MERA's systems.

Fiscal Year Ending June 30,	Amount
2018	\$ 245,857
2019	246,108
2020	245,524
2021	245,691
2022	24,365
Total	\$ 1,007,545

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14: PRIOR PERIOD ADJUSTMENTS

During the current year, it was noted that accrued interest revenue for an affordable housing loan was not being recorded in the Government-wide Statement of Activities. The accrued interest was properly being deferred in the fund financial statements in accordance with the modified accrual basis of accounting. Consequently, the government-wide beginning net position was adjusted by \$296,111.

NOTE 15: SUBSEQUENT EVENTS

Phase 2 Downtown SMART Station Funding

The Sonoma Marin Area Rail Transit District (“SMART”) commuter rail line began regular service between Sonoma and Marin counties in August 2017. Novato currently has two train stations, neither of which are located in downtown Novato, the site of a historic train depot. SMART approached the City in the autumn 2015 with an option to construct a third station at the site of the historic downtown depot, but the project would need to be funded by the City. The timing of the project was a critical factor, as conducting construction within the rail right-of-way once fare service had started would have proven challenging. In February 2016, the City Council agreed to fund the first phase of the project, which would complete track construction work and the loading platform foundation, and was estimated to cost \$2.4 million. To finance the bulk of the Phase 1 project, the City Council agreed to complete an internal lease-back financing structure with funds from the Hamilton Trust Fund. The financing and construction of this phase of the project was completed during fiscal year 2016/17.

On May 23, 2017, Novato City Council approved a grant funding exchange to accept \$1,448,000 of Metropolitan Transportation Commission (MTC) “One Bay Area Grant – Round Two” (OBAG2) funding awarded to the city for construction of the Downtown SMART Station Phase II. The OBAG2 Downtown SMART Station Phase II Grant is comprised of federal Surface Transportation Program (STP) and Congestion Mitigation and Air Quality (CMAQ) funds programmed for fiscal year 2017/18 and available October 1, 2017. All federal funding requires National Environmental Protection Act (NEPA) documentation of projects that the money is used toward. California Environmental Quality Act (CEQA) documentation was prepared for the Downtown SMART Station project, but NEPA documentation was not. Therefore the project cannot accept any federal funds. To resolve this issue, a funds exchange proposal was approved by the Transportation Authority of Marin (TAM) Board on July 28, 2016 to allow the City of Novato to identify an eligible transportation project to receive the \$1,448,000 STP and CMAQ funds while allocating the same amount in local funds to the Downtown SMART Station Phase II project. Novato’s “Measure A Group 10” (CIP 18-001) Resurfacing Project is the eligible OBAG2 grant recipient project as a part of the exchange.

During the budget process for fiscal year 2017/18, Council approved funding the second phase of the project using a combination of City funds, TAM Measure A and Measure B funds, and the funding swap described above. The Phase II project includes the rail switches, electrical components, and other improvements required for the passenger train station to operate. Phase II work is estimated at \$3,100,000 and will likely take place in the fall or winter of 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NOVATO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
REVENUES				
Taxes	\$ 29,894,085	\$ 29,894,085	\$ 29,962,540	\$ 68,455
Licenses and permits	1,127,450	1,229,295	1,322,662	93,367
Intergovernmental	450,934	440,934	430,380	(10,554)
Fines and forfeitures	510,500	510,500	610,177	99,677
Use of money and property	542,300	542,300	455,420	(86,880)
Charges for services	2,831,305	2,831,305	3,528,578	697,273
Other revenues	<u>82,900</u>	<u>82,900</u>	<u>635,626</u>	<u>552,726</u>
Total Revenues	<u>35,439,474</u>	<u>35,531,319</u>	<u>36,945,383</u>	<u>1,414,064</u>
EXPENDITURES				
Current:				
General Government				
Central Administration				
City council	81,360	81,360	74,214	7,146
City manager	1,098,693	1,124,914	1,038,531	86,383
City clerk	319,185	241,159	243,116	(1,957)
City attorney	<u>486,000</u>	<u>486,000</u>	<u>777,073</u>	<u>(291,073)</u>
Total Central Administration	<u>1,985,238</u>	<u>1,933,433</u>	<u>2,132,934</u>	<u>(199,501)</u>
Administrative Services				
Administration	310,092	344,584	221,926	122,658
Human resources	768,126	769,738	897,385	(127,647)
Finance	705,138	747,173	713,184	33,989
Information technology	1,152,254	1,190,081	1,041,960	148,121
Internal support	65,805	72,654	66,991	5,663
City-wide programs	<u>1,959,873</u>	<u>2,021,242</u>	<u>2,321,542</u>	<u>(300,300)</u>
Total Administrative Services	<u>4,961,288</u>	<u>5,145,472</u>	<u>5,262,988</u>	<u>(117,516)</u>
Total General Government	<u>6,946,526</u>	<u>7,078,905</u>	<u>7,395,922</u>	<u>(317,017)</u>
Public Safety				
Administrative Services				
City-wide programs	<u>11,566</u>	<u>11,566</u>	<u>35,276</u>	<u>(23,710)</u>
Police				
Administration	1,241,545	1,264,814	1,212,055	52,759
Technical services	1,971,114	2,025,783	1,888,633	137,150
Professional standards	423,325	452,698	576,248	(123,550)
Investigations	888,886	922,409	929,884	(7,475)
Patrol	7,364,654	7,696,224	7,235,309	460,915
Traffic	704,772	742,397	744,727	(2,330)
Special services	<u>1,142,812</u>	<u>1,191,700</u>	<u>1,198,887</u>	<u>(7,187)</u>
Total Police	<u>13,737,108</u>	<u>14,296,025</u>	<u>13,785,743</u>	<u>510,282</u>

CITY OF NOVATO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
Public Works				
Traffic & engineering	136,079	136,404	112,489	23,915
Traffic operations	<u>576,455</u>	<u>581,970</u>	<u>522,087</u>	<u>59,883</u>
Total Public Works	<u>712,534</u>	<u>718,374</u>	<u>634,576</u>	<u>83,798</u>
Total Public Safety	<u>14,461,208</u>	<u>15,025,965</u>	<u>14,455,595</u>	<u>570,370</u>
Public Works				
Community Development				
Administration	203,988	207,220	199,341	7,879
Code Enforcement	301,567	282,405	337,943	(55,538)
Planning	854,090	893,047	766,598	126,449
Clerical support services	280,526	282,306	346,923	(64,617)
Building inspections	<u>524,643</u>	<u>713,598</u>	<u>764,776</u>	<u>(51,178)</u>
Total Community Development	<u>2,164,814</u>	<u>2,378,576</u>	<u>2,415,581</u>	<u>(37,005)</u>
Public Works				
Traffic & engineering	448,217	467,956	390,179	77,777
Engineering-project development	330,951	335,674	278,128	57,546
Engineering-construction management	343,665	362,256	370,994	(8,738)
Maintenance administration	326,362	337,109	430,031	(92,922)
Street maintenance	1,554,660	1,578,462	1,421,803	156,659
Street tree/parkway maintenance	477,714	491,512	479,863	11,649
Parks maintenance	-	-	1,286	(1,286)
Building maintenance	<u>802,408</u>	<u>838,211</u>	<u>881,601</u>	<u>(43,390)</u>
Total Public Works	<u>4,283,977</u>	<u>4,411,180</u>	<u>4,253,885</u>	<u>157,295</u>
Total Public Works	<u>6,448,791</u>	<u>6,789,756</u>	<u>6,669,466</u>	<u>120,290</u>
Culture and Recreation				
Public Works				
Parks maintenance	\$ 1,722,183	\$ 1,759,591	\$ 1,625,889	\$ 133,702
Building maintenance	<u>620,211</u>	<u>598,989</u>	<u>638,762</u>	<u>(39,773)</u>
Total Public Works	<u>2,342,394</u>	<u>2,358,580</u>	<u>2,264,651</u>	<u>93,929</u>
Parks, Recreation, & Community Service				
Administration	915,716	864,582	735,907	128,675
Child care & enrichment programs	811,132	833,707	785,122	48,585
Cultural programs	9,306	9,588	9,204	384
Senior citizens	347,123	362,661	353,074	9,587
Athletics	<u>1,383,550</u>	<u>1,526,388</u>	<u>1,575,606</u>	<u>(49,218)</u>
Total Parks, Recreation & Community Services	<u>3,466,827</u>	<u>3,596,926</u>	<u>3,458,913</u>	<u>138,013</u>
Total Cultural and Recreation	<u>5,809,221</u>	<u>5,955,506</u>	<u>5,723,564</u>	<u>231,942</u>

CITY OF NOVATO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
Community Development				
Central Administration				
General Management	18,950	18,950	1,270	17,680
Economic development	930,427	1,386,081	939,568	446,513
Regulation enforcement	140,642	141,675	2,105	139,570
Housing programs	<u>164,930</u>	<u>164,930</u>	<u>164,787</u>	<u>143</u>
Total Central Administration	<u>1,254,949</u>	<u>1,711,636</u>	<u>1,107,730</u>	<u>603,906</u>
Administrative Services				
Support services	53,639	70,057	-	70,057
City-wide programs	<u>4,717</u>	<u>4,717</u>	<u>2,000</u>	<u>2,717</u>
Total Administrative Services	<u>58,356</u>	<u>74,774</u>	<u>2,000</u>	<u>72,774</u>
Total Community Development	<u>1,313,305</u>	<u>1,786,410</u>	<u>1,109,730</u>	<u>676,680</u>
Capital Outlay				
Information Technology	-	6,338	6,338	-
Traffic operations	-	34,400	34,400	-
Street/trees/parkway	-	-	4,890	(4,890)
Parks	-	-	2,445	(2,445)
Capital Projects	<u>-</u>	<u>1,695,000</u>	<u>1,560,605</u>	<u>134,395</u>
Total Public Works	<u>-</u>	<u>1,729,400</u>	<u>1,602,340</u>	<u>127,060</u>
Total Capital Outlay	<u>-</u>	<u>1,735,738</u>	<u>1,608,678</u>	<u>127,060</u>
Debt Service				
Principal	113,315	113,315	200,764	(87,449)
Interest	<u>-</u>	<u>-</u>	<u>9,691</u>	<u>(9,691)</u>
Total Debt Service	<u>113,315</u>	<u>113,315</u>	<u>210,455</u>	<u>(97,140)</u>
Total Expenditures	<u>35,092,366</u>	<u>38,485,595</u>	<u>37,173,410</u>	<u>1,312,185</u>
Excess (deficiency) of revenues over expenditures	<u>347,108</u>	<u>(2,954,276)</u>	<u>(228,027)</u>	<u>2,726,249</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from capital lease	-	-	16,962	16,962
Transfers in	1,275,526	2,970,526	2,973,511	2,985
Transfers out	<u>(8,575,037)</u>	<u>(8,768,340)</u>	<u>(3,816,480)</u>	<u>4,951,860</u>
Total Other Financing Sources (Uses)	<u>(7,299,511)</u>	<u>(5,797,814)</u>	<u>(826,007)</u>	<u>4,971,807</u>
Net change in fund balance	<u>\$ (6,952,403)</u>	<u>\$ (8,752,090)</u>	<u>(1,054,034)</u>	<u>\$ 7,698,056</u>
Fund balance - July 1, 2016			<u>29,157,168</u>	
Fund balance - June 30, 2017			<u>\$ 28,103,134</u>	

CITY OF NOVATO
AFFORDABLE HOUSING PROGRAM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 7,600	\$ 7,600	\$ 42,923	\$ 35,323
Charges for services	99,000	99,000	96,313	(2,687)
Other revenues	<u>-</u>	<u>-</u>	<u>38,127</u>	<u>38,127</u>
Total Revenues	<u>106,600</u>	<u>106,600</u>	<u>177,363</u>	<u>70,763</u>
<u>EXPENDITURES</u>				
Current:				
Community Development				
Community development	<u>192,204</u>	<u>193,103</u>	<u>133,125</u>	<u>59,978</u>
Total Expenditures	<u>192,204</u>	<u>193,103</u>	<u>133,125</u>	<u>59,978</u>
Excess (deficiency) of revenues over expenditures	<u>(85,604)</u>	<u>(86,503)</u>	<u>44,238</u>	<u>130,741</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	49,000	49,000	52,373	3,373
Transfers out	<u>(753)</u>	<u>(753)</u>	<u>(756)</u>	<u>(3)</u>
Total Other Financing Sources (Uses)	<u>48,247</u>	<u>48,247</u>	<u>51,617</u>	<u>3,370</u>
Net change in fund balance	<u>\$ (37,357)</u>	<u>\$ (38,256)</u>	<u>95,855</u>	<u>\$ 134,111</u>
Fund balance - July 1, 2016			<u>2,644,672</u>	
Fund balance - June 30, 2017			<u>\$ 2,740,527</u>	

**CITY OF NOVATO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2017**

The City operates under the general laws of the State of California and annually adopts a budget for its governmental and proprietary funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the departmental level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers from one account to another within the same department. Debt service on bond issues constitutes a legally authorized "non-appropriated budget." Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Encumbrances are considered to be expenditures in the year the commitment is entered into. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval.

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Prepared for the City's Miscellaneous Plan, an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years ***

	Measurement Period		
	2016	2015	2014
Changes in Total Pension Liability			
Service cost	\$ 1,651,346	\$ 1,492,551	\$ 1,481,542
Interest	6,475,684	6,277,841	6,054,166
Changes of assumptions	-	(1,430,883)	-
Difference between expected and actual experience	(999,532)	(770,125)	-
Benefit payments, including refunds of member contributions	<u>(4,287,852)</u>	<u>(4,240,324)</u>	<u>(3,757,926)</u>
Net Change in Total Pension Liability	<u>2,839,646</u>	<u>1,329,060</u>	<u>3,777,782</u>
Total Pension Liability - Beginning of Year	86,967,241	85,638,181	81,860,399
Total Pension Liability - End of Year	<u>89,806,887</u>	<u>86,967,241</u>	<u>85,638,181</u>
Changes in Plan Fiduciary Net Position			
Contributions - employer	1,603,220	1,435,535	1,206,124
Contributions - employee	712,496	635,240	582,962
Plan to plan resource movement	2,406	(286)	-
Net investment income	354,708	1,592,282	10,779,038
Benefit payments, including refunds of member contributions	(4,287,852)	(4,240,324)	(3,757,926)
Administrative expenses	<u>(43,214)</u>	<u>(80,001)</u>	<u>-</u>
Net changes	<u>(1,658,236)</u>	<u>(657,554)</u>	<u>8,810,198</u>
Plan Fiduciary Net Position - Beginning of Year	70,906,095	71,563,649	62,753,451
Plan Fiduciary Net Position - End of Year	<u>69,247,859</u>	<u>70,906,095</u>	<u>71,563,649</u>
Net Pension Liability - End of Year	<u>\$ 20,559,028</u>	<u>\$ 16,061,146</u>	<u>\$ 14,074,532</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.1 %	81.5 %	83.6 %
Covered Employee Payroll	\$ 10,999,445	\$ 9,692,518	\$ 9,367,365
Net Pension Liability as a Percentage of Covered Employee Payroll	186.9 %	165.7 %	150.3 %

Notes to Schedule:

Changes in assumptions. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Safety Plan, a Cost Sharing Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years ***

	Measurement Period		
	2016	2015	2014
Proportion of the net pension liability	0.25076 %	0.23386 %	0.25458 %
Proportionate share of the net pension liability	\$ 21,698,548	\$ 16,050,389	\$ 15,840,916
Covered - employee payroll	\$ 5,779,335	\$ 5,615,795	\$ 5,800,922
Proportionate share of the net pension liability as a percentage of covered - employee payroll	375.45 %	285.81 %	273.08 %
Plan fiduciary net position as a percentage of the total pension liability	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CONTRIBUTIONS
Prepared for the City's Miscellaneous Plan, an Agent Multiple-Employer Defined Benefit Pension Plan
and the City's Safety Plan, a Cost Sharing Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years ***

	Fiscal Year-End					
	2017		2016		2015	
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
Contractually required contribution (actuarially determined)	\$ 1,763,678	\$ 1,695,094	\$ 1,626,625	\$ 1,546,445	\$ 1,435,773	\$ 1,168,547
Contributions in relation to the actuarially determined contributions	<u>1,763,678</u>	<u>1,695,094</u>	<u>1,626,625</u>	<u>1,546,445</u>	<u>1,435,773</u>	<u>1,168,547</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	10,065,998	5,769,289	10,038,364	5,779,335	9,922,494	5,779,335
Contributions as a percentage of covered - employee payroll	17.52 %	29.38 %	16.20 %	26.76 %	14.47 %	20.22 %

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
2012	\$ 2,698,000	\$ 300,171	\$ 2,397,829	11%	\$ 13,216,000	18 %
2014	\$ 2,786,000	\$ 511,892	2,274,108	18%	\$ 13,778,000	17 %
2016	\$ 4,665,000	\$ 977,798	\$ 3,687,202	21%	\$ 15,133,000	24 %

COMBINING FINANCIAL SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

CITY OF NOVATO
CAPITAL IMPROVEMENT PROJECTS FUND - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Other revenues	\$ <u>562,369</u>	\$ <u>562,369</u>	\$ -	\$ <u>(562,369)</u>
Total Revenues	<u>562,369</u>	<u>562,369</u>	-	<u>(562,369)</u>
<u>EXPENDITURES</u>				
Capital Projects	<u>19,006,558</u>	<u>19,469,592</u>	<u>6,885,766</u>	<u>12,583,826</u>
Total Expenditures	<u>19,006,558</u>	<u>19,469,592</u>	<u>6,885,766</u>	<u>12,583,826</u>
Excess (deficiency) of revenues over expenditures	<u>(18,444,189)</u>	<u>(18,907,223)</u>	<u>(6,885,766)</u>	<u>12,021,457</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>18,086,937</u>	<u>18,202,836</u>	<u>6,800,394</u>	<u>(11,402,442)</u>
Transfers out	<u>357,252</u>	<u>(347,862)</u>	<u>(284)</u>	<u>347,578</u>
Total Other Financing Sources (Uses)	<u>18,444,189</u>	<u>17,854,974</u>	<u>6,800,110</u>	<u>(11,054,864)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(1,052,249)</u>	<u>(85,656)</u>	\$ <u>966,593</u>
Fund balance (deficit) - July 1, 2016			<u>(397,448)</u>	
Fund balance (deficit) - June 30, 2017			<u>\$ (483,104)</u>	

CITY OF NOVATO
DEVELOPMENT IMPACT FEE - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 74,000	\$ 74,000	\$ 107,135	\$ 33,135
Charges for services	<u>1,728,435</u>	<u>1,728,435</u>	<u>270,162</u>	<u>(1,458,273)</u>
Total Revenues	<u>1,802,435</u>	<u>1,802,435</u>	<u>377,297</u>	<u>(1,425,138)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,802,435</u>	<u>1,802,435</u>	<u>377,297</u>	<u>(1,425,138)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(1,576,301)</u>	<u>(2,226,073)</u>	<u>(759,528)</u>	<u>1,466,545</u>
Total Other Financing Sources (Uses)	<u>(1,576,301)</u>	<u>(2,226,073)</u>	<u>(759,528)</u>	<u>1,466,545</u>
Net change in fund balance	<u>\$ 226,134</u>	<u>\$ (423,638)</u>	<u>(382,231)</u>	<u>\$ 41,407</u>
Fund balance - July 1, 2016			<u>12,154,111</u>	
Fund balance - June 30, 2017			<u>\$ 11,771,880</u>	

CITY OF NOVATO
 NOVATO PUBLIC FINANCING AUTHORITY - CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ 44,420	\$ 44,420	\$ 48,857	\$ 4,437
Total Revenues	<u>44,420</u>	<u>44,420</u>	<u>48,857</u>	<u>4,437</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Citywide programs	<u>12,100</u>	<u>22,100</u>	<u>47,214</u>	<u>(25,114)</u>
Debt service:				
Loan issuance costs	<u>-</u>	<u>-</u>	<u>17,400</u>	<u>(17,400)</u>
Total Expenditures	<u>12,100</u>	<u>22,100</u>	<u>64,614</u>	<u>(42,514)</u>
Excess (deficiency) of revenues over expenditures	<u>32,320</u>	<u>22,320</u>	<u>(15,757)</u>	<u>(38,077)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	270,000	270,000	270,000	-
Transfers out	<u>(2,413,000)</u>	<u>(2,107,976)</u>	<u>(1,880,458)</u>	<u>227,518</u>
Total Other Financing Sources (Uses)	<u>(2,143,000)</u>	<u>(1,837,976)</u>	<u>(1,610,458)</u>	<u>227,518</u>
Net change in fund balance	<u>\$ (2,110,680)</u>	<u>\$ (1,815,656)</u>	<u>(1,626,215)</u>	<u>\$ 189,441</u>
Fund balance - July 1, 2016			<u>472,569</u>	
Fund balance (deficit) - June 30, 2017			<u>\$ (1,153,646)</u>	

CITY OF NOVATO
HAMILTON TRUST FUND - PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ <u>364,250</u>	\$ <u>364,250</u>	\$ <u>49,598</u>	\$ <u>(314,652)</u>
Total Revenues	<u>364,250</u>	<u>364,250</u>	<u>49,598</u>	<u>(314,652)</u>
<u>EXPENDITURES</u>				
Current:				
Community Development				
Program	<u>30,500</u>	<u>30,500</u>	<u>29,078</u>	<u>1,422</u>
Total Expenditures	<u>30,500</u>	<u>30,500</u>	<u>29,078</u>	<u>1,422</u>
Excess (deficiency) of revenues over expenditures	<u>333,750</u>	<u>333,750</u>	<u>20,520</u>	<u>(313,230)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(284,000)</u>	<u>(284,000)</u>	<u>(354,707)</u>	<u>(70,707)</u>
Total Other Financing Sources (Uses)	<u>(284,000)</u>	<u>(284,000)</u>	<u>(354,707)</u>	<u>(70,707)</u>
Net change in fund balance	<u>\$ 49,750</u>	<u>\$ 49,750</u>	<u>(334,187)</u>	<u>\$ (383,937)</u>
Fund balance - July 1, 2016			<u>32,767,707</u>	
Fund balance - June 30, 2017			<u>\$ 32,433,520</u>	

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

Clean Stormwater Fund - accounts for the revenues and expenditures for the City's clean stormwater program. The program plans to prevent pollutant discharge from entering streets and storm drains before flowing into creeks and wetlands.

Underground Utilities Fund - accounts for resources to be utilized for underground City overhead utilities.

Parking Improvement Fund - accounts for assessments collected from businesses in the Old Town parking improvement area to be used for services and programs related to parking facilities in the area.

Subdivision Park Fund - accounts for in-lieu fees from residential subdivision developers to be used for parks and recreation areas for residents of the subdivision.

Art in Public Places Fund - accounts for fees paid by developers to be used for public art projects.

General Plan Surcharge Fund - accounts for the revenues and expenditures for the advance planning and update of the City's General Plan. The expenditures are funded by the collection of surcharges on all construction permits.

Automation Surcharge Fund - accounts for the revenues and expenditures for the City's database and maintenance of software used to issue permits. The expenditures are funded by the collection of surcharges charged on all construction permits.

Hamilton Community Facilities - accounts for assessments for landscape maintenance and pump and levy maintenance for the Hamilton Community Facilities District.

Hamilton Arts Center - accounts for revenues received and the administration and maintenance expenditures incurred for the Hamilton Arts Center.

Pointe Marin CFD - accounts for the revenues and expenditures in connection with landscape maintenance for the Pointe Marin Community Facilities District

Chapter 27 Assessment Fund - accounts for assessment district activities to complete missing frontage improvements, often in cooperation with property owners.

Landscaping Assessment Districts (San Marin, Country Club, Wildwood Glen, Hillside, Scottsdale) - accounts for the collection of assessments which are used for median island landscaping and maintenance in that district.

Downtown and San Pablo Lighting & Landscaping Fund - accounts for the collection and expenditures of special assessments of the Downtown and San Pablo Landscape and Lighting District.

State Gas Tax Fund - accounts for the City's share of gasoline tax revenues that are restricted to the maintenance and construction of City streets.

Justice Assistance Grants - accounts for revenues and expenditures associated with the 2005 grant.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (continued)

Special Police Projects - accounts for resources restricted to law enforcement activities such as crime prevention and DARE programs.

COPS Grant - account for the revenues and expenditures associated with the grant.

State Grant Fund - accounts for revenue and expenditure activity for State grants. Pursuant to the requirement of the granting authority, grant-related transactions must be reported in a separate fund.

Federal Grant Fund - accounts for revenue and expenditure activity for federal grants. Pursuant to the requirement of the granting authority, grant-related transactions must be reported in a separate fund.

Private Grant Fund - accounts for revenue and expenditures for private grants.

CAPITAL PROJECT FUNDS

Measure B VRF Marin County Fund - accounts for funds received from Measure A for parks, open space, and recreation programs.

Measure A Street Bond Project Fund - accounts for funds received from Measure A for local streets and roads. These funds are received through the Transportation Authority of Marin for a 20 year period.

Parks Measure A Fund - This fund accounts for proceeds received from Marin County Parks Measure A for improvements and maintenance of parks, open space, and recreation programs in the City. The funds will be received for a nine year period.

Clean Stormwater CIP Fund - accounts for the capital improvement element of the City of Novato Clean Stormwater Program.

Street and Storm Drain Maintenance Fund - accounts for revenues and expenditures for Novato's clean stormwater program. The program plans to prevent pollutant discharge from entering streets and storm drains before flowing into creeks and wetlands.

Community Center Maintenance Fund - A specific fund has been established for each of the following: Maintenance, Performing Arts, Gymnastics and Teen Center, and Pool.

DEBT SERVICE FUNDS

General Obligation Bonds - accounts for the accumulation of resources and payment of interest and principal for general obligation bonds, Measure F and G.

Pension Obligations Bond Fund - accounts for accumulation of resources and payment of pension obligation bonds.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

Special Revenue Funds						
	<u>Clean Stormwater</u>	<u>Underground Utilities</u>	<u>Parking Improvement</u>	<u>Subdivision Park</u>	<u>Art in Public Places</u>	<u>General Plan Surcharge</u>
ASSETS						
Cash and investments	\$ 1,806	\$ 982,743	\$ 43,251	\$ 268,618	\$ 125,379	\$ 313,231
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Advances from Successor Agency	-	-	-	354,855	-	-
Total Assets	<u>\$ 1,806</u>	<u>\$ 982,743</u>	<u>\$ 43,251</u>	<u>\$ 623,473</u>	<u>\$ 125,379</u>	<u>\$ 313,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ 49	\$ -	\$ -	\$ 17,973
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	2,376	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>49</u>	<u>2,376</u>	<u>-</u>	<u>17,973</u>
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	354,855	-	-
Restricted	1,806	982,743	43,202	266,242	125,379	295,258
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>1,806</u>	<u>982,743</u>	<u>43,202</u>	<u>621,097</u>	<u>125,379</u>	<u>295,258</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 1,806</u>	<u>\$ 982,743</u>	<u>\$ 43,251</u>	<u>\$ 623,473</u>	<u>\$ 125,379</u>	<u>\$ 313,231</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Special Revenue Funds					
	Automation Surcharge	Hamilton Community Facilities	Hamilton Arts Center	Pointe Marin CFD	Chapter 27 Assessment	Landscaping Assessment District - San Marin
ASSETS						
Cash and investments	\$ 119,196	\$ 564,095	\$ 895,453	\$ 629,083	\$ 239,218	\$ 39,835
Cash with fiscal agent	-	-	66,027	-	-	-
Accounts receivable	-	-	-	-	5,657	-
Interest receivable	-	-	-	-	58	-
Taxes receivable	-	-	-	-	2	359
Advances from Successor Agency	-	-	-	-	-	-
Total Assets	<u>\$ 119,196</u>	<u>\$ 564,095</u>	<u>\$ 961,480</u>	<u>\$ 629,083</u>	<u>\$ 244,935</u>	<u>\$ 40,194</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ 330	\$ 31,990	\$ -	\$ 5,786	\$ -	\$ 10,345
Accrued liabilities	-	-	-	-	3,330	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	6,993	-	2,385	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>330</u>	<u>31,990</u>	<u>6,993</u>	<u>5,786</u>	<u>5,715</u>	<u>10,345</u>
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	-	-	-
Restricted	-	532,105	954,487	623,297	239,220	29,849
Assigned	118,866	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>118,866</u>	<u>532,105</u>	<u>954,487</u>	<u>623,297</u>	<u>239,220</u>	<u>29,849</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 119,196</u>	<u>\$ 564,095</u>	<u>\$ 961,480</u>	<u>\$ 629,083</u>	<u>\$ 244,935</u>	<u>\$ 40,194</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Special Revenue Funds					
	Landscaping Assessment District - Country Club	Landscaping Assessment District - Wildwood Glen	Landscaping Assessment District - Hillside	Downtown Lighting & Landscaping	San Pablo Landscaping	Assessment District - Scottsdale
ASSETS						
Cash and investments	\$ 70,100	\$ 3,662	\$ 54,294	\$ 108,893	\$ 40,378	\$ 10,131
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Taxes receivable	-	59	127	38	84	-
Advances from Successor Agency	-	-	-	-	-	-
Total Assets	<u>\$ 70,100</u>	<u>\$ 3,721</u>	<u>\$ 54,421</u>	<u>\$ 108,931</u>	<u>\$ 40,462</u>	<u>\$ 10,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ -	\$ 661	\$ 5,972	\$ 501	\$ 420	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>661</u>	<u>5,972</u>	<u>501</u>	<u>420</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	-	-	-
Restricted	70,100	3,060	48,449	108,430	40,042	10,131
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>70,100</u>	<u>3,060</u>	<u>48,449</u>	<u>108,430</u>	<u>40,042</u>	<u>10,131</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 70,100</u>	<u>\$ 3,721</u>	<u>\$ 54,421</u>	<u>\$ 108,931</u>	<u>\$ 40,462</u>	<u>\$ 10,131</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Special Revenue Funds					
	State Gas Tax	Justice Assistance Grants	Special Projects Police	COPS Grant	State Grant Fund	Federal Grant Fund
ASSETS						
Cash and investments	\$ 933,907	\$ -	\$ 122,658	\$ 473,025	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	19,700	26,945	2,595	717,114
Interest receivable	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Advances from Successor Agency	-	-	-	-	-	-
Total Assets	\$ 933,907	\$ -	\$ 142,358	\$ 499,970	\$ 2,595	\$ 717,114
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ 3,783	\$ 41,860	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	2,269	715,432
Unearned revenue	-	-	940	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	-	4,723	41,860	2,269	715,432
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Nonspendable	-	-	-	-	-	-
Restricted	933,907	-	137,635	458,110	326	1,682
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	933,907	-	137,635	458,110	326	1,682
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 933,907	\$ -	\$ 142,358	\$ 499,970	\$ 2,595	\$ 717,114

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Special Revenue	Capital Project Funds			
	Private Grant Fund	Marin VRF	Measure A Street Bonds	Parks Measure A	Clean Stormwater CIP
ASSETS					
Cash and investments	\$ 37,442	\$ 461,049	\$ 753,081	\$ 430,117	\$ 208,384
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Advances from Successor Agency	-	-	-	-	-
Total Assets	<u>\$ 37,442</u>	<u>\$ 461,049</u>	<u>\$ 753,081</u>	<u>\$ 430,117</u>	<u>\$ 208,384</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	\$ 286	\$ -	\$ -	\$ 6,119	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	15,469	-	-	-	-
Advances from other funds	-	-	-	775,000	-
Total Liabilities	<u>15,755</u>	<u>-</u>	<u>-</u>	<u>781,119</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	-
Restricted	21,687	461,049	753,081	-	208,384
Assigned	-	-	-	-	-
Unassigned	-	-	-	(351,002)	-
Total Fund Balances (Deficits)	<u>21,687</u>	<u>461,049</u>	<u>753,081</u>	<u>(351,002)</u>	<u>208,384</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 37,442</u>	<u>\$ 461,049</u>	<u>\$ 753,081</u>	<u>\$ 430,117</u>	<u>\$ 208,384</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Capital Projects		Debt Service Funds		Total Non-major Governmental Funds
	Street and Storm Drain Maintenance	Community Center Maintenance	General Obligation Bond	Pension Obligations Bond Fund	
ASSETS					
Cash and investments	\$ 265,228	\$ -	\$ 1,785,838	\$ -	\$ 9,980,095
Cash with fiscal agent	-	-	-	-	66,027
Accounts receivable	-	-	-	-	772,011
Interest receivable	-	-	-	-	58
Taxes receivable	-	-	8,981	-	9,650
Advances from Successor Agency	-	342,717	-	-	697,572
Total Assets	\$ 265,228	\$ 342,717	\$ 1,794,819	\$ -	\$ 11,525,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 126,075
Accrued liabilities	-	-	-	-	3,330
Due to other funds	-	20,101	-	-	737,802
Unearned revenue	-	2,295	-	-	30,458
Advances from other funds	-	-	-	-	775,000
Total Liabilities	-	22,396	-	-	1,672,665
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES (DEFICITS):					
Nonspendable	-	-	-	-	354,855
Restricted	265,228	320,321	1,794,819	-	9,730,029
Assigned	-	-	-	-	118,866
Unassigned	-	-	-	-	(351,002)
Total Fund Balances (Deficits)	265,228	320,321	1,794,819	-	9,852,748
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 265,228	\$ 342,717	\$ 1,794,819	\$ -	\$ 11,525,413

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					
	<u>Clean Stormwater</u>	<u>Underground Utilities</u>	<u>Parking Improvement</u>	<u>Subdivision Park</u>	<u>Art in Public Places</u>	<u>General Plan Surcharge</u>
<u>REVENUES</u>						
Taxes	\$ 367,009	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Use of money and property	(523)	9,156	670	5,523	1,144	3,398
Charges for services	-	-	-	-	9,250	92,573
Other revenue	-	-	-	-	-	-
Total Revenues	<u>366,486</u>	<u>9,156</u>	<u>670</u>	<u>5,523</u>	<u>10,394</u>	<u>95,971</u>
<u>EXPENDITURES</u>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	538	-	-	-
Public works	212,020	-	-	-	-	238,804
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>212,020</u>	<u>-</u>	<u>538</u>	<u>-</u>	<u>-</u>	<u>238,804</u>
Excess (Deficiency) of Revenues over Expenditures	<u>154,466</u>	<u>9,156</u>	<u>132</u>	<u>5,523</u>	<u>10,394</u>	<u>(142,833)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	-	-	-	-	-	-
Transfers out	(145,000)	-	(28,627)	(282,541)	-	-
Total Other Financing Sources (Uses)	<u>(145,000)</u>	<u>-</u>	<u>(28,627)</u>	<u>(282,541)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,466	9,156	(28,495)	(277,018)	10,394	(142,833)
Fund balances (deficits) - July 1, 2016	<u>(7,660)</u>	<u>973,587</u>	<u>71,697</u>	<u>898,115</u>	<u>114,985</u>	<u>438,091</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 1,806</u>	<u>\$ 982,743</u>	<u>\$ 43,202</u>	<u>\$ 621,097</u>	<u>\$ 125,379</u>	<u>\$ 295,258</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					
	Automation Surcharge	Hamilton Community Facilities	Hamilton Arts Center	Pointe Marin CFD	Chapter 27 Assessment	Landscaping Assessment District - San Marin
REVENUES						
Taxes	\$ -	\$ 575,762	\$ -	\$ 187,285	\$ -	\$ 54,739
Intergovernmental	-	-	-	-	-	-
Use of money and property	1,126	2,496	468,347	5,407	2,228	243
Charges for services	98,649	-	-	-	336	-
Other revenue	-	230,000	-	-	-	-
Total Revenues	<u>99,775</u>	<u>808,258</u>	<u>468,347</u>	<u>192,692</u>	<u>2,564</u>	<u>54,982</u>
EXPENDITURES						
Current:						
General government	-	-	226,436	-	-	500
Public safety	-	-	-	-	-	-
Public works	129,289	505,207	-	128,337	-	51,313
Culture and recreation	-	-	-	-	-	-
Capital outlay	9,591	2,445	-	2,445	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	118,069	-	-	-
Total Expenditures	<u>138,880</u>	<u>507,652</u>	<u>344,505</u>	<u>130,782</u>	<u>-</u>	<u>51,813</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(39,105)</u>	<u>300,606</u>	<u>123,842</u>	<u>61,910</u>	<u>2,564</u>	<u>3,169</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	7,868	-	-	-	-
Transfers out	(2,095)	(36,140)	(270,000)	(6,400)	-	-
Total Other Financing Sources (Uses)	<u>(2,095)</u>	<u>(28,272)</u>	<u>(270,000)</u>	<u>(6,400)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(41,200)	272,334	(146,158)	55,510	2,564	3,169
Fund balances (deficits) - July 1, 2016	<u>160,066</u>	<u>259,771</u>	<u>1,100,645</u>	<u>567,787</u>	<u>236,656</u>	<u>26,680</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 118,866</u>	<u>\$ 532,105</u>	<u>\$ 954,487</u>	<u>\$ 623,297</u>	<u>\$ 239,220</u>	<u>\$ 29,849</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					
	Landscaping Assessment District - Country Club	Landscaping Assessment District - Wildwood Glen	Landscaping Assessment District - Hillside	Downtown Lighting & Landscaping	San Pablo Landscaping	Assessment District - Scottsdale
REVENUES						
Taxes	\$ -	\$ 9,470	\$ 20,400	\$ 6,038	\$ 13,500	\$ -
Intergovernmental	-	-	-	-	-	-
Use of money and property	654	11	445	990	404	94
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>654</u>	<u>9,481</u>	<u>20,845</u>	<u>7,028</u>	<u>13,904</u>	<u>94</u>
EXPENDITURES						
Current:						
General government	-	500	500	-	500	-
Public safety	-	-	-	-	-	-
Public works	-	7,097	13,093	2,394	545	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>7,597</u>	<u>13,593</u>	<u>2,394</u>	<u>1,045</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>654</u>	<u>1,884</u>	<u>7,252</u>	<u>4,634</u>	<u>12,859</u>	<u>94</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(7,868)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,868)</u>	<u>-</u>
Net change in fund balances	654	1,884	7,252	4,634	4,991	94
Fund balances (deficits) - July 1, 2016	<u>69,446</u>	<u>1,176</u>	<u>41,197</u>	<u>103,796</u>	<u>35,051</u>	<u>10,037</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 70,100</u>	<u>\$ 3,060</u>	<u>\$ 48,449</u>	<u>\$ 108,430</u>	<u>\$ 40,042</u>	<u>\$ 10,131</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					
	State Gas Tax	Justice Assistance Grants	Special Projects Police	COPS Grant	State Grant Fund	Federal Grant Fund
REVENUES						
Taxes	\$ 1,061,613	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	62,861	187,741	1,256	1,147,085
Use of money and property	10,288	-	1,257	-	-	-
Charges for services	-	-	-	-	-	-
Other revenue	-	-	5,896	-	-	-
Total Revenues	<u>1,071,901</u>	<u>-</u>	<u>70,014</u>	<u>187,741</u>	<u>1,256</u>	<u>1,147,085</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	394	93,906	9,144	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	86,048	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>394</u>	<u>93,906</u>	<u>95,192</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,071,901</u>	<u>(394)</u>	<u>(23,892)</u>	<u>92,549</u>	<u>1,256</u>	<u>1,147,085</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	7,000	-	284	-
Transfers out	(1,292,259)	-	-	(21,043)	-	(1,147,085)
Total Other Financing Sources (Uses)	<u>(1,292,259)</u>	<u>-</u>	<u>7,000</u>	<u>(21,043)</u>	<u>284</u>	<u>(1,147,085)</u>
Net change in fund balances	(220,358)	(394)	(16,892)	71,506	1,540	-
Fund balances (deficits) - July 1, 2016	<u>1,154,265</u>	<u>394</u>	<u>154,527</u>	<u>386,604</u>	<u>(1,214)</u>	<u>1,682</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 933,907</u>	<u>\$ -</u>	<u>\$ 137,635</u>	<u>\$ 458,110</u>	<u>\$ 326</u>	<u>\$ 1,682</u>

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue	Capital Project Funds			
	Private Grant Fund	Marin VRF	Measure A Street Bonds	Parks Measure A	Clean Stormwater CIP
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ 588,510	\$ 390,710	\$ -
Intergovernmental	-	456,206	-	-	-
Use of money and property	351	2,188	10,651	5,162	1,822
Charges for services	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	351	458,394	599,161	395,872	1,822
<u>EXPENDITURES</u>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	78,370	-
Culture and recreation	-	-	-	132,928	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	-	-	-	211,298	-
Excess (Deficiency) of Revenues over Expenditures	351	458,394	599,161	184,574	1,822
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	45,000
Transfers out	-	-	(714,741)	(1,020,752)	(15,094)
Total Other Financing Sources (Uses)	-	-	(714,741)	(1,020,752)	29,906
Net change in fund balances	351	458,394	(115,580)	(836,178)	31,728
Fund balances (deficits) - July 1, 2016	21,336	2,655	868,661	485,176	176,656
Fund balances (deficits) - June 30, 2017	\$ 21,687	\$ 461,049	\$ 753,081	\$ (351,002)	\$ 208,384

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Projects		Debt Service Fund		Total
	Street and Storm Drain Maintenance	Community Center Maintenance	General Obligation Fund	Pension Obligations Bond Fund	Non-major Governmental Funds
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ 1,845,806	\$ -	\$ 5,120,842
Intergovernmental	-	-	-	-	1,855,149
Use of money and property	2,472	756	10,269	-	547,029
Charges for services	-	-	-	-	200,808
Other revenue	-	-	-	-	235,896
Total Revenues	2,472	756	1,856,075	-	7,959,724
<u>EXPENDITURES</u>					
Current:					
General government	-	-	27,880	2,500	258,816
Public safety	-	-	-	-	103,982
Public works	-	-	-	-	1,366,469
Culture and recreation	-	-	-	-	132,928
Capital outlay	-	-	-	-	100,529
Debt service:					
Principal	-	-	1,446,423	460,000	1,906,423
Interest and fiscal charges	-	-	324,262	829,735	1,272,066
Total Expenditures	-	-	1,798,565	1,292,235	5,141,213
Excess (Deficiency) of Revenues over Expenditures	2,472	756	57,510	(1,292,235)	2,818,511
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	1,292,935	1,353,087
Transfers out	-	(107,052)	-	-	(5,096,697)
Total Other Financing Sources (Uses)	-	(107,052)	-	1,292,935	(3,743,610)
Net change in fund balances	2,472	(106,296)	57,510	700	(925,099)
Fund balances (deficits) - July 1, 2016	262,756	426,617	1,737,309	(700)	10,777,847
Fund balances (deficits) - June 30, 2017	\$ 265,228	\$ 320,321	\$ 1,794,819	\$ -	\$ 9,852,748

CITY OF NOVATO
CLEAN STORMWATER - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 381,000	\$ 381,000	\$ 367,009	\$ (13,991)
Use of money and property	<u>20</u>	<u>20</u>	<u>(523)</u>	<u>(543)</u>
Total Revenues	<u>381,020</u>	<u>381,020</u>	<u>366,486</u>	<u>(14,534)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	15,900	15,900	15,800	100
Affordable housing	<u>186,000</u>	<u>186,000</u>	<u>196,220</u>	<u>(10,220)</u>
Total Public Works	<u>201,900</u>	<u>201,900</u>	<u>212,020</u>	<u>(10,120)</u>
Total Expenditures	<u>201,900</u>	<u>201,900</u>	<u>212,020</u>	<u>(10,120)</u>
Excess (deficiency) of revenues over expenditures	<u>179,120</u>	<u>179,120</u>	<u>154,466</u>	<u>(24,654)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(145,000)</u>	<u>35,000</u>
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(145,000)</u>	<u>35,000</u>
Net change in fund balance	\$ <u>(880)</u>	\$ <u>(880)</u>	<u>9,466</u>	\$ <u>10,346</u>
Fund balance (deficit) - July 1, 2016			<u>(7,660)</u>	
Fund balance - June 30, 2017			<u>\$ 1,806</u>	

CITY OF NOVATO
UNDERGROUND UTILITIES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>5,600</u>	\$ <u>5,600</u>	\$ <u>9,156</u>	\$ <u>3,556</u>
Total Revenues	<u>5,600</u>	<u>5,600</u>	<u>9,156</u>	<u>3,556</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>5,600</u>	<u>5,600</u>	<u>9,156</u>	<u>3,556</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(274,513)</u>	<u>(274,513)</u>	<u>-</u>	<u>274,513</u>
Total Other Financing Sources (Uses)	<u>(274,513)</u>	<u>(274,513)</u>	<u>-</u>	<u>274,513</u>
Net change in fund balance	\$ <u>(268,913)</u>	\$ <u>(268,913)</u>	<u>9,156</u>	\$ <u>278,069</u>
Fund balance - July 1, 2016			<u>973,587</u>	
Fund balance - June 30, 2017			\$ <u>982,743</u>	

CITY OF NOVATO
PARKING IMPROVEMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>500</u>	\$ <u>500</u>	\$ <u>670</u>	\$ <u>170</u>
Total Revenues	<u>500</u>	<u>500</u>	<u>670</u>	<u>170</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Assessment districts	<u>460</u>	<u>460</u>	<u>538</u>	<u>(78)</u>
Total Expenditures	<u>460</u>	<u>460</u>	<u>538</u>	<u>(78)</u>
Excess (deficiency) of revenues over expenditures	<u>40</u>	<u>40</u>	<u>132</u>	<u>92</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(73,107)</u>	<u>(73,107)</u>	<u>(28,627)</u>	<u>44,480</u>
Total Other Financing Sources (Uses)	<u>(73,107)</u>	<u>(73,107)</u>	<u>(28,627)</u>	<u>44,480</u>
Net change in fund balance	<u>\$ (73,067)</u>	<u>\$ (73,067)</u>	<u>(28,495)</u>	<u>\$ 44,572</u>
Fund balance - July 1, 2016			<u>71,697</u>	
Fund balance - June 30, 2017			<u>\$ 43,202</u>	

CITY OF NOVATO
SUBDIVISION PARK - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 6,100	\$ 6,100	\$ 5,523	\$ (577)
Charges for services	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Revenues	<u>36,100</u>	<u>36,100</u>	<u>5,523</u>	<u>(30,577)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>36,100</u>	<u>36,100</u>	<u>5,523</u>	<u>(30,577)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(258,127)</u>	<u>(498,488)</u>	<u>(282,541)</u>	<u>215,947</u>
Total Other Financing Sources (Uses)	<u>(258,127)</u>	<u>(498,488)</u>	<u>(282,541)</u>	<u>215,947</u>
Net change in fund balance	<u>\$ (222,027)</u>	<u>\$ (462,388)</u>	<u>(277,018)</u>	<u>\$ 185,370</u>
Fund balance - July 1, 2016			<u>898,115</u>	
Fund balance - June 30, 2017			<u>\$ 621,097</u>	

CITY OF NOVATO
ART IN PUBLIC PLACES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 500	\$ 500	\$ 1,144	\$ 644
Charges for services	<u>925</u>	<u>925</u>	<u>9,250</u>	<u>8,325</u>
Total Revenues	<u>1,425</u>	<u>1,425</u>	<u>10,394</u>	<u>8,969</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,425</u>	<u>1,425</u>	<u>10,394</u>	<u>8,969</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(38,901)</u>	<u>(38,901)</u>	-	<u>38,901</u>
Total Other Financing Sources (Uses)	<u>(38,901)</u>	<u>(38,901)</u>	-	<u>38,901</u>
Net change in fund balance	<u>\$ (37,476)</u>	<u>\$ (37,476)</u>	<u>10,394</u>	<u>\$ 47,870</u>
Fund balance - July 1, 2016			<u>114,985</u>	
Fund balance - June 30, 2017			<u>\$ 125,379</u>	

CITY OF NOVATO
GENERAL PLAN SURCHARGE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ 2,850	\$ 2,850	\$ 3,398	\$ 548
Charges for services	<u>70,000</u>	<u>70,000</u>	<u>92,573</u>	<u>22,573</u>
Total Revenues	<u>72,850</u>	<u>72,850</u>	<u>95,971</u>	<u>23,121</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Planning	<u>430,000</u>	<u>430,000</u>	<u>238,804</u>	<u>191,196</u>
Total Expenditures	<u>430,000</u>	<u>430,000</u>	<u>238,804</u>	<u>191,196</u>
Net change in fund balance	<u>\$ (357,150)</u>	<u>\$ (357,150)</u>	<u>(142,833)</u>	<u>\$ 214,317</u>
Fund balance - July 1, 2016			<u>438,091</u>	
Fund balance - June 30, 2017			<u>\$ 295,258</u>	

CITY OF NOVATO
AUTOMATION SURCHARGE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017				
	Budgeted Amounts				Variance
	Original	Final	Actual	Amounts	with Final
					Positive
					(Negative)
<u>REVENUES</u>					
Use of money and property	\$ 1,125	\$ 1,125	\$ 1,126	\$	1
Charges for services	74,000	74,000	98,649	\$	24,649
Total Revenues	75,125	75,125	99,775	\$	24,650
<u>EXPENDITURES</u>					
Current:					
Public Works					
Administration	119,293	122,046	129,289	\$	(7,243)
Capital outlay	-	-	9,591	\$	(9,591)
Total Expenditures	119,293	122,046	138,880	\$	(16,834)
Excess (deficiency) of revenues over expenditures	(44,168)	(46,921)	(39,105)	\$	7,816
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	(2,075)	(2,075)	(2,095)	\$	(20)
Total Other Financing Sources (Uses)	(2,075)	(2,075)	(2,095)	\$	(20)
Net change in fund balance	\$ (46,243)	\$ (48,996)	(41,200)	\$	7,796
Fund balance - July 1, 2016			160,066		
Fund balance - June 30, 2017			\$ 118,866		

CITY OF NOVATO
HAMILTON COMMUNITY FACILITIES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Taxes and assessments	\$ 575,762	\$ 575,762	\$ 575,762	\$ -
Use of money and property	1,950	1,950	2,496	546
Other revenues	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
Total Revenues	<u>807,712</u>	<u>807,712</u>	<u>808,258</u>	<u>546</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Hamilton CFD maintenance	588,916	596,067	505,207	90,860
Capital outlay	<u>-</u>	<u>-</u>	<u>2,445</u>	<u>(2,445)</u>
Total Expenditures	<u>588,916</u>	<u>596,067</u>	<u>507,652</u>	<u>90,860</u>
Excess (deficiency) of revenues over expenditures	<u>218,796</u>	<u>211,645</u>	<u>300,606</u>	<u>88,961</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	7,868	7,868	7,868	-
Transfers out	<u>(634,145)</u>	<u>(644,588)</u>	<u>(36,140)</u>	<u>608,448</u>
Total Other Financing Sources (Uses)	<u>(626,277)</u>	<u>(636,720)</u>	<u>(28,272)</u>	<u>608,448</u>
Net change in fund balance	<u>\$ (407,481)</u>	<u>\$ (425,075)</u>	<u>272,334</u>	<u>\$ 697,409</u>
Fund balance - July 1, 2016			<u>259,771</u>	
Fund balance - June 30, 2017			<u>\$ 532,105</u>	

CITY OF NOVATO
HAMILTON ARTS CENTER - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 438,930	\$ 438,930	\$ 468,347	\$ 29,417
Total Revenues	<u>438,930</u>	<u>438,930</u>	<u>468,347</u>	<u>29,417</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Citywide programs	178,210	178,210	226,436	(48,226)
Debt service:				
Interest and fiscal charges	<u>113,282</u>	<u>113,282</u>	<u>118,069</u>	<u>(4,787)</u>
Total Expenditures	<u>291,492</u>	<u>291,492</u>	<u>344,505</u>	<u>(53,013)</u>
Excess (deficiency) of revenues over expenditures	<u>147,438</u>	<u>147,438</u>	<u>123,842</u>	<u>(23,596)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (122,562)</u>	<u>\$ (122,562)</u>	<u>(146,158)</u>	<u>\$ (23,596)</u>
Fund balance - July 1, 2016			<u>1,100,645</u>	
Fund balance - June 30, 2017			<u>\$ 954,487</u>	

CITY OF NOVATO
POINTE MARIN CFD - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 187,285	\$ 187,285	\$ 187,285	\$ -
Use of money and property	<u>3,550</u>	<u>3,550</u>	<u>5,407</u>	<u>1,857</u>
Total Revenues	<u>190,835</u>	<u>190,835</u>	<u>192,692</u>	<u>1,857</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Hamilton CFD maintenance	204,978	212,006	128,337	83,669
Capital outlay	<u>-</u>	<u>-</u>	<u>2,445</u>	<u>(2,445)</u>
Total Expenditures	<u>204,978</u>	<u>212,006</u>	<u>130,782</u>	<u>81,224</u>
Excess (deficiency) of revenues over expenditures	<u>(14,143)</u>	<u>(21,171)</u>	<u>61,910</u>	<u>83,081</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(6,411)</u>	<u>(6,411)</u>	<u>(6,400)</u>	<u>11</u>
Total Other Financing Sources (Uses)	<u>(6,411)</u>	<u>(6,411)</u>	<u>(6,400)</u>	<u>11</u>
Net change in fund balance	<u>\$ (20,554)</u>	<u>\$ (27,582)</u>	<u>55,510</u>	<u>\$ 83,092</u>
Fund balance - July 1, 2016			<u>567,787</u>	
Fund balance - June 30, 2017			<u>\$ 623,297</u>	

CITY OF NOVATO
 CHAPTER 27 ASSESSMENT - SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ 1,525	\$ 1,525	\$ 2,228	\$ 703
Charges for services	<u>338</u>	<u>338</u>	<u>336</u>	<u>(2)</u>
Total Revenues	<u>1,863</u>	<u>1,863</u>	<u>2,564</u>	<u>701</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,863</u>	<u>1,863</u>	<u>2,564</u>	<u>701</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(6,920)</u>	<u>(6,920)</u>	<u>-</u>	<u>6,920</u>
Net change in fund balance	<u>\$ (5,057)</u>	<u>\$ (5,057)</u>	<u>2,564</u>	<u>\$ 7,621</u>
Fund balance - July 1, 2016			<u>236,656</u>	
Fund balance - June 30, 2017			<u>\$ 239,220</u>	

CITY OF NOVATO
LANDSCAPING ASSESSMENT DISTRICT - SAN MARIN - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 57,970	\$ 57,970	\$ 54,739	\$ (3,231)
Use of money and property	<u>130</u>	<u>130</u>	<u>243</u>	<u>113</u>
Total Revenues	<u>58,100</u>	<u>58,100</u>	<u>54,982</u>	<u>(3,118)</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Assessment districts	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Assessment districts	<u>56,745</u>	<u>56,745</u>	<u>51,313</u>	<u>5,432</u>
Total Expenditures	<u>57,245</u>	<u>57,245</u>	<u>51,813</u>	<u>5,432</u>
Net change in fund balance	<u>\$ 855</u>	<u>\$ 855</u>	<u>3,169</u>	<u>\$ 2,314</u>
Fund balance - July 1, 2016			<u>26,680</u>	
Fund balance - June 30, 2017			<u>\$ 29,849</u>	

CITY OF NOVATO
LANDSCAPING ASSESSMENT DISTRICT - COUNTRY CLUB - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>435</u>	\$ <u>435</u>	\$ <u>654</u>	\$ <u>219</u>
Total Revenues	<u>435</u>	<u>435</u>	<u>654</u>	<u>219</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 435</u>	<u>\$ 435</u>	<u>654</u>	<u>\$ 219</u>
Fund balance - July 1, 2016			<u>69,446</u>	
Fund balance - June 30, 2017			<u>\$ 70,100</u>	

CITY OF NOVATO
LANDSCAPING ASSESSMENT DISTRICT - WILDWOOD GLEN - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 9,565	\$ 9,565	\$ 9,470	\$ (95)
Use of money and property	<u>15</u>	<u>15</u>	<u>11</u>	<u>(4)</u>
Total Revenues	<u>9,580</u>	<u>9,580</u>	<u>9,481</u>	<u>(99)</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Assessment districts	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Assessment districts	<u>9,250</u>	<u>9,250</u>	<u>7,097</u>	<u>2,153</u>
Total Expenditures	<u>9,750</u>	<u>9,750</u>	<u>7,597</u>	<u>2,153</u>
Net change in fund balance	<u>\$ (170)</u>	<u>\$ (170)</u>	<u>1,884</u>	<u>\$ 2,054</u>
Fund balance - July 1, 2016			<u>1,176</u>	
Fund balance - June 30, 2017			<u>\$ 3,060</u>	

CITY OF NOVATO
LANDSCAPING ASSESSMENT DISTRICT - HILLSIDE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 20,536	\$ 20,536	\$ 20,400	\$ (136)
Use of money and property	<u>280</u>	<u>280</u>	<u>445</u>	<u>165</u>
Total Revenues	<u>20,816</u>	<u>20,816</u>	<u>20,845</u>	<u>29</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Assessment districts	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Assessment districts	<u>52,208</u>	<u>52,208</u>	<u>13,093</u>	<u>39,115</u>
Total Expenditures	<u>52,708</u>	<u>52,708</u>	<u>13,593</u>	<u>39,115</u>
Net change in fund balance	<u>\$ (31,892)</u>	<u>\$ (31,892)</u>	<u>7,252</u>	<u>\$ 39,144</u>
Fund balance - July 1, 2016			<u>41,197</u>	
Fund balance - June 30, 2017			<u>\$ 48,449</u>	

CITY OF NOVATO
DOWNTOWN LIGHTING & LANDSCAPING - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 6,110	\$ 6,110	\$ 6,038	\$ (72)
Use of money and property	<u>660</u>	<u>660</u>	<u>990</u>	<u>330</u>
Total Revenues	<u>6,770</u>	<u>6,770</u>	<u>7,028</u>	<u>258</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>3,000</u>	<u>3,000</u>	<u>2,394</u>	<u>606</u>
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>2,394</u>	<u>606</u>
Net change in fund balance	<u>\$ 3,770</u>	<u>\$ 3,770</u>	<u>4,634</u>	<u>\$ 864</u>
Fund balance - July 1, 2016			<u>103,796</u>	
Fund balance - June 30, 2017			<u>\$ 108,430</u>	

CITY OF NOVATO
SAN PABLO LANDSCAPING - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 13,181	\$ 13,181	\$ 13,500	\$ 319
Use of money and property	<u>230</u>	<u>230</u>	<u>404</u>	<u>174</u>
Total Revenues	<u>13,411</u>	<u>13,411</u>	<u>13,904</u>	<u>493</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Assessment districts	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Assessment districts	<u>4,222</u>	<u>4,222</u>	<u>545</u>	<u>3,677</u>
Total Expenditures	<u>4,722</u>	<u>4,722</u>	<u>1,045</u>	<u>3,677</u>
Excess (deficiency) of revenues over expenditures	<u>8,689</u>	<u>8,689</u>	<u>12,859</u>	<u>4,170</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(7,868)</u>	<u>(7,868)</u>	<u>(7,868)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,868)</u>	<u>(7,868)</u>	<u>(7,868)</u>	<u>-</u>
Net change in fund balance	<u>\$ 821</u>	<u>\$ 821</u>	<u>4,991</u>	<u>\$ 4,170</u>
Fund balance - July 1, 2016			<u>35,051</u>	
Fund balance - June 30, 2017			<u>\$ 40,042</u>	

CITY OF NOVATO
SCOTTSDALE ASSESSMENT DISTRICT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017 Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ <u>60</u>	\$ <u>60</u>	\$ <u>94</u>	\$ <u>34</u>
Total Revenues	<u>60</u>	<u>60</u>	<u>94</u>	<u>34</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 60</u>	<u>\$ 60</u>	<u>94</u>	<u>\$ 34</u>
Fund balance - July 1, 2016			<u>10,037</u>	
Fund balance - June 30, 2017			<u>\$ 10,131</u>	

CITY OF NOVATO
STATE GAS TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 1,101,250	\$ 1,101,250	\$ 1,061,613	\$ (39,637)
Use of money and property	<u>7,150</u>	<u>7,150</u>	<u>10,288</u>	<u>3,138</u>
Total Revenues	<u>1,108,400</u>	<u>1,108,400</u>	<u>1,071,901</u>	<u>(36,499)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Community development administration	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>1,108,400</u>	<u>1,108,400</u>	<u>1,071,901</u>	<u>(36,499)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(1,953,247)</u>	<u>(2,278,825)</u>	<u>(1,292,259)</u>	<u>986,566</u>
Total Other Financing Sources (Uses)	<u>(1,953,247)</u>	<u>(2,278,825)</u>	<u>(1,292,259)</u>	<u>986,566</u>
Net change in fund balance	<u>\$ (844,847)</u>	<u>\$ (1,170,425)</u>	<u>(220,358)</u>	<u>\$ 950,067</u>
Fund balance - July 1, 2016			<u>1,154,265</u>	
Fund balance - June 30, 2017			<u>\$ 933,907</u>	

CITY OF NOVATO
 JUSTICE ASSISTANCE GRANTS - SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017 Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Total Revenues	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Special projects	_____ -	_____ -	_____ 394	_____ (394)
Total Public Safety	_____ -	_____ -	_____ 394	_____ (394)
Total Expenditures	_____ -	_____ -	_____ 394	_____ (394)
Net change in fund balance	\$ _____ -	\$ _____ -	_____ (394)	\$ _____ (394)
Fund balance - July 1, 2016			_____ 394	
Fund balance - June 30, 2017			\$ _____ -	

CITY OF NOVATO
SPECIAL POLICE PROJECTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 30,000	\$ 100,000	\$ 62,861	\$ (37,139)
Use of money and property	700	700	1,257	557
Other revenues	<u>15,800</u>	<u>15,800</u>	<u>5,896</u>	<u>(9,904)</u>
Total Revenues	<u>46,500</u>	<u>116,500</u>	<u>70,014</u>	<u>(46,486)</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Police patrol	27,000	27,000	21,079	5,921
Special projects	<u>39,600</u>	<u>113,570</u>	<u>72,827</u>	<u>40,743</u>
Total Public Safety	<u>66,600</u>	<u>140,570</u>	<u>93,906</u>	<u>46,664</u>
Total Expenditures	<u>66,600</u>	<u>140,570</u>	<u>93,906</u>	<u>46,664</u>
Excess (deficiency) of revenues over expenditures	<u>(20,100)</u>	<u>(24,070)</u>	<u>(23,892)</u>	<u>178</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (13,100)</u>	<u>\$ (17,070)</u>	<u>(16,892)</u>	<u>\$ 178</u>
Fund balance - July 1, 2016			<u>154,527</u>	
Fund balance - June 30, 2017			<u>\$ 137,635</u>	

CITY OF NOVATO
COPS GRANT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 187,741	\$ 87,741
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>187,741</u>	<u>87,741</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Police special services	<u>100,000</u>	<u>100,000</u>	<u>9,144</u>	<u>90,856</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>86,048</u>	<u>(86,048)</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>95,192</u>	<u>4,808</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>92,549</u>	<u>92,549</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>-</u>	<u>(27,000)</u>	<u>(21,043)</u>	<u>5,957</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(27,000)</u>	<u>(21,043)</u>	<u>5,957</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (27,000)</u>	<u>71,506</u>	<u>\$ 98,506</u>
Fund balance - July 1, 2016			<u>386,604</u>	
Fund balance - June 30, 2017			<u>\$ 458,110</u>	

CITY OF NOVATO
STATE GRANT FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ <u>358,465</u>	\$ <u>358,465</u>	\$ <u>1,256</u>	\$ <u>(357,209)</u>
Total Revenues	<u>358,465</u>	<u>358,465</u>	<u>1,256</u>	<u>(357,209)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>358,465</u>	<u>358,465</u>	<u>1,256</u>	<u>(357,209)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	284	284
Transfers out	<u>(357,252)</u>	<u>(347,862)</u>	<u>-</u>	<u>347,862</u>
Total Other Financing Sources (Uses)	<u>(357,252)</u>	<u>(347,862)</u>	<u>284</u>	<u>348,146</u>
Net change in fund balance	<u>\$ 1,213</u>	<u>\$ 10,603</u>	<u>1,540</u>	<u>\$ (9,063)</u>
Fund balance (deficit) - July 1, 2016			<u>(1,214)</u>	
Fund balance - June 30, 2017			<u>\$ 326</u>	

CITY OF NOVATO
FEDERAL GRANT FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
			Amounts	(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ <u>1,715,617</u>	\$ <u>1,715,617</u>	\$ <u>1,147,085</u>	\$ <u>(568,532)</u>
Total Revenues	<u>1,715,617</u>	<u>1,715,617</u>	<u>1,147,085</u>	<u>(568,532)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,715,617</u>	<u>1,715,617</u>	<u>1,147,085</u>	<u>(568,532)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(1,715,617)</u>	<u>(1,634,508)</u>	<u>(1,147,085)</u>	<u>487,423</u>
Total Other Financing Sources (Uses)	<u>(1,715,617)</u>	<u>(1,634,508)</u>	<u>(1,147,085)</u>	<u>487,423</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>81,109</u>	<u>-</u>	\$ <u>(81,109)</u>
Fund balance - July 1, 2016			<u>1,682</u>	
Fund balance - June 30, 2017			\$ <u>1,682</u>	

CITY OF NOVATO
PRIVATE GRANT FUND - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>255</u>	\$ <u>255</u>	\$ <u>351</u>	\$ <u>96</u>
Total Revenues	<u>255</u>	<u>255</u>	<u>351</u>	<u>96</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 255</u>	<u>\$ 255</u>	<u>351</u>	<u>\$ 96</u>
Fund balance - July 1, 2016			<u>21,336</u>	
Fund balance - June 30, 2017			<u>\$ 21,687</u>	

CITY OF NOVATO
MEASURE B VRF MARIN COUNTY - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 456,206	\$ 456,206	\$ 456,206	\$ -
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>2,188</u>	<u>1,188</u>
Total Revenues	<u>457,206</u>	<u>457,206</u>	<u>458,394</u>	<u>1,188</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 457,206</u>	<u>\$ 457,206</u>	<u>458,394</u>	<u>\$ 1,188</u>
Fund balance - July 1, 2016			<u>2,655</u>	
Fund balance - June 30, 2017			<u>\$ 461,049</u>	

CITY OF NOVATO
MEASURE A STREET BONDS - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 474,500	\$ 588,510	\$ 588,510	\$ -
Intergovernmental	588,510	474,500	-	(474,500)
Use of money and property	<u>11,500</u>	<u>11,500</u>	<u>10,651</u>	<u>(849)</u>
Total Revenues	<u>1,074,510</u>	<u>1,074,510</u>	<u>599,161</u>	<u>(475,349)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,074,510</u>	<u>1,074,510</u>	<u>599,161</u>	<u>(475,349)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(2,546,855)</u>	<u>(2,517,659)</u>	<u>(714,741)</u>	<u>1,802,918</u>
Total Other Financing Sources (Uses)	<u>(2,546,855)</u>	<u>(2,517,659)</u>	<u>(714,741)</u>	<u>1,802,918</u>
Net change in fund balance	<u>\$ (1,472,345)</u>	<u>\$ (1,443,149)</u>	<u>(115,580)</u>	<u>\$ 1,327,569</u>
Fund balance - July 1, 2016			<u>868,661</u>	
Fund balance - June 30, 2017			<u>\$ 753,081</u>	

CITY OF NOVATO
PARKS MEASURE A - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes and assessments	\$ 389,190	\$ 389,190	\$ 390,710	\$ 1,520
Use of money and property	<u>2,500</u>	<u>2,500</u>	<u>5,162</u>	<u>2,662</u>
Total Revenues	<u>391,690</u>	<u>391,690</u>	<u>395,872</u>	<u>4,182</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Street tree/ parkway maintenance	<u>84,273</u>	<u>88,029</u>	<u>78,370</u>	<u>9,659</u>
Culture and Recreation				
Administration	61,500	61,129	37,485	23,644
Parks maintenance	<u>110,273</u>	<u>114,029</u>	<u>95,443</u>	<u>18,586</u>
Total Culture and Recreation	<u>171,773</u>	<u>175,158</u>	<u>132,928</u>	<u>42,230</u>
Total Expenditures	<u>256,046</u>	<u>263,187</u>	<u>211,298</u>	<u>51,889</u>
Excess (deficiency) of revenues over expenditures	<u>135,644</u>	<u>128,503</u>	<u>184,574</u>	<u>56,071</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(399,994)</u>	<u>(1,203,238)</u>	<u>(1,020,752)</u>	<u>182,486</u>
Total Other Financing Sources (Uses)	<u>(399,994)</u>	<u>(1,203,238)</u>	<u>(1,020,752)</u>	<u>182,486</u>
Net change in fund balance	<u>\$ (264,350)</u>	<u>\$ (1,074,735)</u>	<u>(836,178)</u>	<u>\$ 238,557</u>
Fund balance - July 1, 2016			<u>485,176</u>	
Fund balance (deficit) - June 30, 2017			<u>\$ (351,002)</u>	

CITY OF NOVATO
CLEAN STORMWATER CIP - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 1,550	\$ 1,550	\$ 1,822	\$ 272
Total Revenues	<u>1,550</u>	<u>1,550</u>	<u>1,822</u>	<u>272</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,550</u>	<u>1,550</u>	<u>1,822</u>	<u>272</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	45,000	45,000	45,000	-
Transfers out	<u>(93,028)</u>	<u>(69,003)</u>	<u>(15,094)</u>	<u>53,909</u>
Total Other Financing Sources (Uses)	<u>(48,028)</u>	<u>(24,003)</u>	<u>29,906</u>	<u>53,909</u>
Net change in fund balance	<u>\$ (46,478)</u>	<u>\$ (22,453)</u>	<u>31,728</u>	<u>\$ 54,181</u>
Fund balance - July 1, 2016			<u>176,656</u>	
Fund balance - June 30, 2017			<u>\$ 208,384</u>	

CITY OF NOVATO
STREET AND STORM DRAIN MAINTENANCE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>1,600</u>	\$ <u>1,600</u>	\$ <u>2,472</u>	\$ <u>872</u>
Total Revenues	<u>1,600</u>	<u>1,600</u>	<u>2,472</u>	<u>872</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,600</u>	<u>1,600</u>	<u>2,472</u>	<u>872</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>1,600</u>	\$ <u>1,600</u>	<u>2,472</u>	\$ <u>872</u>
Fund balance - July 1, 2016			<u>262,756</u>	
Fund balance - June 30, 2017			\$ <u>265,228</u>	

CITY OF NOVATO
COMMUNITY CENTER MAINTENANCE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ <u>2,550</u>	\$ <u>2,550</u>	\$ <u>756</u>	\$ <u>(1,794)</u>
Total Revenues	<u>2,550</u>	<u>2,550</u>	<u>756</u>	<u>(1,794)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,550</u>	<u>2,550</u>	<u>756</u>	<u>(1,794)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(161,000)</u>	<u>(161,552)</u>	<u>(107,052)</u>	<u>54,500</u>
Total Other Financing Sources (Uses)	<u>(161,000)</u>	<u>(161,552)</u>	<u>(107,052)</u>	<u>54,500</u>
Net change in fund balance	\$ <u>(158,450)</u>	\$ <u>(159,002)</u>	<u>(106,296)</u>	\$ <u>52,706</u>
Fund balance - July 1, 2016			<u>426,617</u>	
Fund balance - June 30, 2017			\$ <u>320,321</u>	

CITY OF NOVATO
GENERAL OBLIGATION - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2016 - 2017		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 1,760,596	\$ 1,760,596	\$ 1,845,806	\$ 85,210
Use of money and property	<u>5,900</u>	<u>5,900</u>	<u>10,269</u>	<u>4,369</u>
Total Revenues	<u>1,766,496</u>	<u>1,766,496</u>	<u>1,856,075</u>	<u>89,579</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Debt service	<u>26,625</u>	<u>26,625</u>	<u>27,880</u>	<u>(1,255)</u>
Debt service:				
Principal	1,436,423	1,436,423	1,446,423	(10,000)
Interest and fiscal charges	<u>334,062</u>	<u>334,062</u>	<u>324,262</u>	<u>9,800</u>
Total Expenditures	<u>1,797,110</u>	<u>1,797,110</u>	<u>1,798,565</u>	<u>(1,455)</u>
Net change in fund balance	<u>\$ (30,614)</u>	<u>\$ (30,614)</u>	<u>57,510</u>	<u>\$ 88,124</u>
Fund balance - July 1, 2016			<u>1,737,309</u>	
Fund balance - June 30, 2017			<u>\$ 1,794,819</u>	

CITY OF NOVATO
PENSION OBLIGATION BOND - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>2016 - 2017</u> <u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Total Revenues	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<u>EXPENDITURES</u>				
Current:				
General Government				
Debt service	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	_____ -
Debt service:				
Principal	460,000	460,000	460,000	_____ -
Interest and fiscal charges	<u>826,892</u>	<u>826,892</u>	<u>829,735</u>	_____ (2,843)
Total Expenditures	<u>1,289,392</u>	<u>1,289,392</u>	<u>1,292,235</u>	_____ (2,843)
Excess (deficiency) of revenues over expenditures	<u>(1,289,392)</u>	<u>(1,289,392)</u>	<u>(1,292,235)</u>	_____ (2,843)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>1,289,392</u>	<u>1,289,392</u>	<u>1,292,935</u>	_____ 3,543
Total Other Financing Sources (Uses)	<u>1,289,392</u>	<u>1,289,392</u>	<u>1,292,935</u>	_____ 3,543
Net change in fund balance	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>700</u>	<u>\$ _____ 700</u>
Fund balance (deficit) - July 1, 2016			_____ (700)	
Fund balance - June 30, 2017			<u>\$ _____ -</u>	

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of good or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The internal service funds used by the City are shown below:

Equipment Maintenance Fund - accounts for maintenance and operation charges to user departments for use of city vehicles and equipment.

Equipment Replacement Fund - accounts for resources to be used for replacement of vehicles and equipment. Revenues are generated primarily from rental charges to user departments.

Technology Replacement Fund - accounts for funds set aside to meet future replacement costs of technology hardware and software.

Insurance Reserve Fund - accounts for claim settlements and reimbursements in accordance with a joint powers agreement between the City and other Marin County cities.

CITY OF NOVATO
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

Governmental Activities - Internal Service Funds

	Equipment Maintenance	Equipment Replacement	Technology Replacement Fund	Insurance Reserve	Total Internal Service Funds
<u>ASSETS</u>					
Current Assets					
Cash and investments	\$ -	\$ 4,826,428	\$ 354,571	\$ -	\$ 5,180,999
Accounts receivable, net	5,155	-	-	-	5,155
Advances to other funds	-	124,493	-	-	124,493
Total Current Assets	5,155	4,950,921	354,571	-	5,310,647
Non Current Assets					
Advances to Successor Agency	-	583,002	-	-	583,002
Capital assets, net	-	1,488,201	-	-	1,488,201
Total Non-Current Assets	-	2,071,203	-	-	2,071,203
Total Assets	5,155	7,022,124	354,571	-	7,381,850
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
2017 pension contributions	42,205	-	-	-	42,205
Changes in the net pension liability	90,941	-	-	-	90,941
Total Deferred Outflows of Resources	133,146	-	-	-	133,146
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	25,632	-	-	-	25,632
Due to other funds	689,945	-	-	-	689,945
Unearned revenue	-	3,904	-	-	3,904
Claims payable - current	-	-	-	629,771	629,771
Total Current Liabilities	715,577	3,904	-	629,771	1,349,252
Non-Current Liabilities					
Claims payable	-	-	-	1,567,273	1,567,273
Net pension liability	492,822	-	-	-	492,822
Total Non-Current Liabilities	492,822	-	-	1,567,273	2,060,095
Total Liabilities	1,208,399	3,904	-	2,197,044	3,409,347
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Changes in the net pension liability	23,566	-	-	-	23,566
<u>NET POSITION:</u>					
Net investment in capital assets	-	1,488,201	-	-	1,488,201
Unrestricted	(1,093,664)	5,530,019	354,571	(2,197,044)	2,593,882
Total Net Position	\$ (1,093,664)	\$ 7,018,220	\$ 354,571	\$ (2,197,044)	\$ 4,082,083

CITY OF NOVATO
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

Governmental Activities - Internal Service Funds					
	Equipment Maintenance	Equipment Replacement	Technology Replacement Fund	Insurance Reserve	Total Internal Service Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 639,208	\$ 731,258	\$ 39,859	\$ -	\$ 1,410,325
Total Operating Revenue	639,208	731,258	39,859	-	1,410,325
<u>OPERATING EXPENSES</u>					
Cost of services	747,409	468,476	10,004	350,750	1,576,639
Depreciation	-	592,006	-	-	592,006
Total Operating Expenses	747,409	1,060,482	10,004	350,750	2,168,645
Operating Income (Loss)	(108,201)	(329,224)	29,855	(350,750)	(758,320)
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	-	178,248	2,666	-	180,914
Total Non-Operating Revenues	-	178,248	2,666	-	180,914
Income (Loss) Before Transfers	(108,201)	(150,976)	32,521	(350,750)	(577,406)
<u>TRANSFERS</u>					
Transfers in	-	481,392	321,243	-	802,635
Transfers out	(13,847)	(329,243)	-	-	(343,090)
Total Transfers	(13,847)	152,149	321,243	-	459,545
Change in net position	(122,048)	1,173	353,764	(350,750)	(117,861)
Net Position - July 1, 2016	(971,616)	7,017,047	807	(1,846,294)	4,199,944
Net Position - June 30, 2017	\$ (1,093,664)	\$ 7,018,220	\$ 354,571	\$ (2,197,044)	\$ 4,082,083

CITY OF NOVATO
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds				
	Equipment Maintenance	Equipment Replacement	Technology Replacement Fund	Insurance Reserve	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING</u>					
<u>ACTIVITIES</u>					
Cash received from customers	\$ 638,441	\$ 613,292	\$ 39,859	\$ -	\$ 1,291,592
Cash paid to suppliers	(761,884)	(468,476)	(10,004)	-	(1,240,364)
Net Cash Provided by (Used for) Operating Activities	<u>(123,443)</u>	<u>144,816</u>	<u>29,855</u>	<u>-</u>	<u>51,228</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>					
<u>FINANCING ACTIVITIES</u>					
Interfund (payments) receipts	137,290	160,451	-	-	297,741
Transfers from other funds	-	152,149	321,243	-	473,392
Transfers to other funds	(13,847)	-	-	-	(13,847)
Net Cash Provided by Non-Capital Financing Activities	<u>123,443</u>	<u>312,600</u>	<u>321,243</u>	<u>-</u>	<u>757,286</u>
<u>CASH FLOWS FROM CAPITAL AND</u>					
<u>RELATED FINANCING ACTIVITIES</u>					
Acquisition of capital assets	-	(535,100)	-	-	(535,100)
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(535,100)</u>	<u>-</u>	<u>-</u>	<u>(535,100)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest and dividends	-	178,248	2,666	-	180,914
Net Cash Provided by Investing Activities	<u>-</u>	<u>178,248</u>	<u>2,666</u>	<u>-</u>	<u>180,914</u>
Net Increase in Cash and Cash Equivalents	-	100,564	353,764	-	454,328
Cash and Cash Equivalents - July 1, 2016	-	4,725,864	807	-	4,726,671
Cash and Cash Equivalents - June 30, 2017	<u>\$ -</u>	<u>\$ 4,826,428</u>	<u>\$ 354,571</u>	<u>\$ -</u>	<u>\$ 5,180,999</u>
<u>RECONCILIATION OF OPERATING INCOME</u>					
<u>(LOSS) TO NET CASH PROVIDED BY</u>					
<u>(USED FOR) OPERATING ACTIVITIES:</u>					
Operating Income (Loss)	(108,201)	(329,224)	29,855	(350,750)	(758,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	-	592,006	-	-	592,006
Pension expense	(10,378)	-	-	-	(10,378)
Changes in assets and liabilities:					
Increase in accounts receivable	(767)	-	-	-	(767)
Decrease in accounts payable	(4,097)	-	-	-	(4,097)
Decrease in unearned revenue	-	(117,966)	-	-	(117,966)
Increase in claims payable	-	-	-	350,750	350,750
Net Cash Provided by (Used for) Operating Activities	<u>\$ (123,443)</u>	<u>\$ 144,816</u>	<u>\$ 29,855</u>	<u>\$ -</u>	<u>\$ 51,228</u>

AGENCY FUNDS

Agency funds are fiduciary funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. None of the trust and agency funds are subject to the budgeting of revenues and expenditures by the City.

CITY OF NOVATO
COMBINING SCHEDULE OF NET POSITION
AGENCY FUNDS
JUNE 30, 2017

	<u>Unclaimed Property Fund</u>	<u>Buck Center</u>	<u>Pacheco Refunding Redemption</u>	<u>Pacheco Investment Earnings</u>	<u>Pacheco Reserve</u>	<u>Pacheco Valle CFD</u>	<u>Vintage Oaks Special Tax</u>	<u>Golden Gate Redemption</u>	<u>Hamilton Bond Admin.</u>	<u>Pointe Marin CFD-2002-1</u>	<u>Totals</u>
ASSETS											
Cash and investments	\$ 20,500	\$ 1,000,000	\$ 176	\$ 23,956	\$ 50,060	\$ 26,180	\$ 2,343,955	\$ 170,319	\$ 660,194	\$ 587,373	\$ 4,882,713
Cash with fiscal agent	-	-	-	-	-	-	-	239,792	453,875	802,181	1,495,848
Other assets, net	-	-	-	-	-	234	9,973	3,641	13,970	6,253	34,071
Total Assets	\$ 20,500	\$ 1,000,000	\$ 176	\$ 23,956	\$ 50,060	\$ 26,414	\$ 2,353,928	\$ 413,752	\$ 1,128,039	\$ 1,395,807	\$ 6,412,632
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,700	\$ -	\$ 2,300	\$ 2,000	\$ 6,000
Due to City	-	-	-	-	-	315,368	-	-	-	-	315,368
Deposits held in trust	20,500	1,000,000	176	23,956	50,060	(288,954)	2,352,228	413,752	1,125,739	1,393,807	6,091,264
Total Liabilities	\$ 20,500	\$ 1,000,000	\$ 176	\$ 23,956	\$ 50,060	\$ 26,414	\$ 2,353,928	\$ 413,752	\$ 1,128,039	\$ 1,395,807	\$ 6,412,632

CITY OF NOVATO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Unclaimed Property Fund</u>				
ASSETS				
Cash and investments	\$ <u>20,500</u>	\$ _____ -	\$ _____ -	\$ <u>20,500</u>
Total Assets	\$ <u>20,500</u>	\$ _____ -	\$ _____ -	\$ <u>20,500</u>
LIABILITIES				
Deposits in trust	\$ <u>20,500</u>	\$ _____ -	\$ _____ -	\$ <u>20,500</u>
Total Liabilities	\$ <u>20,500</u>	\$ _____ -	\$ _____ -	\$ <u>20,500</u>
<u>Buck Center</u>				
ASSETS				
Cash and investments	\$ <u>1,000,000</u>	\$ _____ -	\$ _____ -	\$ <u>1,000,000</u>
Total Assets	\$ <u>1,000,000</u>	\$ _____ -	\$ _____ -	\$ <u>1,000,000</u>
LIABILITIES				
Deposits in trust	\$ <u>1,000,000</u>	\$ _____ -	\$ _____ -	\$ <u>1,000,000</u>
Total Liabilities	\$ <u>1,000,000</u>	\$ _____ -	\$ _____ -	\$ <u>1,000,000</u>
<u>Pacheco Refunding Redemption</u>				
ASSETS				
Cash and investments	\$ <u>176</u>	\$ _____ -	\$ _____ -	\$ <u>176</u>
Total Assets	\$ <u>176</u>	\$ _____ -	\$ _____ -	\$ <u>176</u>
LIABILITIES				
Deposits in trust	\$ <u>176</u>	\$ _____ -	\$ _____ -	\$ <u>176</u>
Total Liabilities	\$ <u>176</u>	\$ _____ -	\$ _____ -	\$ <u>176</u>
<u>Pacheco Investment Earnings</u>				
ASSETS				
Cash and investments	\$ <u>23,956</u>	\$ _____ -	\$ _____ -	\$ <u>23,956</u>
Total Assets	\$ <u>23,956</u>	\$ _____ -	\$ _____ -	\$ <u>23,956</u>
LIABILITIES				
Deposits in trust	\$ <u>23,956</u>	\$ _____ -	\$ _____ -	\$ <u>23,956</u>
Total Liabilities	\$ <u>23,956</u>	\$ _____ -	\$ _____ -	\$ <u>23,956</u>
<u>Pacheco Reserve</u>				
ASSETS				
Cash and investments	\$ <u>50,060</u>	\$ _____ -	\$ _____ -	\$ <u>50,060</u>
Total Assets	\$ <u>50,060</u>	\$ _____ -	\$ _____ -	\$ <u>50,060</u>
LIABILITIES				
Deposits in trust	\$ <u>50,060</u>	\$ _____ -	\$ _____ -	\$ <u>50,060</u>
Total Liabilities	\$ <u>50,060</u>	\$ _____ -	\$ _____ -	\$ <u>50,060</u>

CITY OF NOVATO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Pacheco Valle CFD</u>				
ASSETS				
Cash and investments	\$ 25,206	\$ 37,393	\$ 36,419	\$ 26,180
Other assets, net	<u>272</u>	<u>234</u>	<u>272</u>	<u>234</u>
Total Assets	<u>\$ 25,478</u>	<u>\$ 37,627</u>	<u>\$ 36,691</u>	<u>\$ 26,414</u>
LIABILITIES				
Loan from City	\$ 332,955	\$ -	\$ 17,587	\$ 315,368
Deposits in trust	<u>(307,477)</u>	<u>37,287</u>	<u>18,764</u>	<u>(288,954)</u>
Total Liabilities	<u>\$ 25,478</u>	<u>\$ 37,287</u>	<u>\$ 36,351</u>	<u>\$ 26,414</u>
<u>Vintage Oaks Special Tax</u>				
ASSETS				
Cash and investments	\$ 2,334,932	\$ 1,598,583	\$ 1,589,560	\$ 2,343,955
Other assets, net	<u>12,079</u>	<u>9,973</u>	<u>12,079</u>	<u>9,973</u>
Total Assets	<u>\$ 2,347,011</u>	<u>\$ 1,608,556</u>	<u>\$ 1,601,639</u>	<u>\$ 2,353,928</u>
LIABILITIES				
Accounts payable	\$ 3,200	\$ 1,700	\$ 3,200	\$ 1,700
Deposits in trust	<u>2,343,811</u>	<u>1,627,172</u>	<u>1,618,755</u>	<u>2,352,228</u>
Total Liabilities	<u>\$ 2,347,011</u>	<u>\$ 1,628,872</u>	<u>\$ 1,621,955</u>	<u>\$ 2,353,928</u>
<u>Golden Gate Redemption</u>				
ASSETS				
Cash and investments	\$ 163,241	\$ 219,166	\$ 212,088	\$ 170,319
Cash with fiscal agent	239,685	107	-	239,792
Other assets, net	<u>1,622</u>	<u>3,641</u>	<u>1,622</u>	<u>3,641</u>
Total Assets	<u>\$ 404,548</u>	<u>\$ 222,914</u>	<u>\$ 213,710</u>	<u>\$ 413,752</u>
LIABILITIES				
Deposits in trust	<u>\$ 404,548</u>	<u>\$ 221,293</u>	<u>\$ 212,089</u>	<u>\$ 413,752</u>
Total Liabilities	<u>\$ 404,548</u>	<u>\$ 221,293</u>	<u>\$ 212,089</u>	<u>\$ 413,752</u>

CITY OF NOVATO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Hamilton Bond Admin.</u>				
ASSETS				
Cash and investments	\$ 671,919	\$ 2,258,560	\$ 2,270,285	\$ 660,194
Cash with fiscal agent	452,991	884	-	453,875
Other assets, net	<u>16,868</u>	<u>13,970</u>	<u>16,868</u>	<u>13,970</u>
Total Assets	<u>\$ 1,141,778</u>	<u>\$ 2,273,414</u>	<u>\$ 2,287,153</u>	<u>\$ 1,128,039</u>
LIABILITIES				
Accounts payable	\$ 4,700	\$ 2,300	\$ 4,700	\$ 2,300
Deposits in trust	<u>1,137,078</u>	<u>2,256,547</u>	<u>2,267,886</u>	<u>1,125,739</u>
Total Liabilities	<u>\$ 1,141,778</u>	<u>\$ 2,258,847</u>	<u>\$ 2,272,586</u>	<u>\$ 1,128,039</u>
<u>Pointe Marin CFD-2002-1</u>				
ASSETS				
Cash and investments	\$ 585,449	\$ 1,011,978	\$ 1,010,054	\$ 587,373
Cash with fiscal agent	801,829	352	-	802,181
Other assets, net	<u>7,540</u>	<u>6,253</u>	<u>7,540</u>	<u>6,253</u>
Total Assets	<u>\$ 1,394,818</u>	<u>\$ 1,018,583</u>	<u>\$ 1,017,594</u>	<u>\$ 1,395,807</u>
LIABILITIES				
Accounts payable	\$ 3,950	\$ 2,000	\$ 3,950	\$ 2,000
Deposits in trust	<u>1,390,868</u>	<u>1,011,051</u>	<u>1,008,112</u>	<u>1,393,807</u>
Total Liabilities	<u>\$ 1,394,818</u>	<u>\$ 1,013,051</u>	<u>\$ 1,012,062</u>	<u>\$ 1,395,807</u>
	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 4,875,439	\$ 5,125,680	\$ 5,118,406	\$ 4,882,713
Cash with fiscal agent	1,494,505	1,343	-	1,495,848
Other assets, net	<u>38,381</u>	<u>34,071</u>	<u>38,381</u>	<u>34,071</u>
Total Assets	<u>\$ 6,408,325</u>	<u>\$ 5,161,094</u>	<u>\$ 5,156,787</u>	<u>\$ 6,412,632</u>
LIABILITIES				
Accounts payable	\$ 11,850	\$ 6,000	\$ 11,850	\$ 6,000
Loan from City	332,955	-	17,587	315,368
Deposits in trust	<u>6,063,520</u>	<u>5,153,350</u>	<u>5,125,606</u>	<u>6,091,264</u>
Total Liabilities	<u>\$ 6,408,325</u>	<u>\$ 5,159,350</u>	<u>\$ 5,155,043</u>	<u>\$ 6,412,632</u>

GENERAL FUNDS

The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the general funds used by the City are shown below:

General Fund - accounts for all financial resources except those required to be accounted for in a separate fund.

Measure F Sales Tax - accounts for revenues from a five year 1/2 cent local sales tax measure passed by Novato voters in November 2010, as well as expenditures utilized to maintain vital general city services.

City Owned Property - accounts for revenues and expenditures related to the sale of City owned property in the Hamilton area.

Successor Agency Administration - accounts for expenses associated with the administration of the Successor Agency.

Pension Reserve Fund - established to help stabilize pension expense by consistently charging the General Fund the normal cost, as determined by CalPERS. Funds will be deposited into the fund in years when the required contribution is less than the normal cost, and utilized in years when the required contribution is greater than the normal cost.

Insurance Reserve Fund - accounts for set aside monies to meet uninsured losses to City facilities and other property, as well as workers' compensation claims. This fund differs from the self-insurance program operated through a joint powers agreement with other Marin cities, which covers liability claims brought against the City.

Emergency & Disaster Response Fund - accounts for funds that will provide a buffer during significant economic downturns affecting revenues, or for severe emergency reasons. To meet minimum levels of safety and security, a balance equal to 15% of operating budget is maintained in this reserve.

Civic Center Fund - accounts for the accumulation of resources for the eventual planning, design, and construction of a new City Hall.

Long-Term Maintenance Fund (Facilities) - established in FY 2005/06 using a portion of year-end general fund balance, with the intent that the funds will be made available for long-term maintenance and emergency needs for the Civic Center buildings. Periodic additions to the fund will be made from general fund and other sources when available.

Long-term Maintenance Fund (Infrastructure) - created to provide funding for maintenance of City infrastructure, as identified in the Facilities Condition Assessment. Beginning in fiscal year 2015, an annual transfer of \$545,000 will come from the General Fund.

Deposits Held in Trust - accounts for refundable deposits received from developers of private property that may impact City property during construction. Once the project is completed and accepted by the City, each deposit, plus accrued interest, is returned to the developer.

CITY OF NOVATO
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2017

	<u>General Fund</u>	<u>Measure F Sales Tax</u>	<u>City Owned Property</u>	<u>Successor Agency Admin</u>	<u>Pension Reserve</u>	<u>Insurance Reserve</u>
<u>ASSETS</u>						
Cash and investments	\$ 272,947	\$ 13,521,064	\$ 499,931	\$ 40,785	\$ 1,397	\$ 757,705
Restricted cash and investments	-	-	-	-	-	-
Accounts receivable	787,136	-	-	-	-	-
Notes Receivable	9,594	-	-	-	-	-
Interest receivable	176,701	-	-	-	-	-
Taxes receivable	2,327,185	-	-	-	-	-
Due from other funds	1,427,747	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Advances to Successor Agency	1,227,618	-	-	-	-	326,633
Prepaid items	70,556	-	-	-	-	-
	<u>6,299,484</u>	<u>13,521,064</u>	<u>499,931</u>	<u>40,785</u>	<u>1,397</u>	<u>1,084,338</u>
Total Assets	<u>\$ 6,299,484</u>	<u>\$ 13,521,064</u>	<u>\$ 499,931</u>	<u>\$ 40,785</u>	<u>\$ 1,397</u>	<u>\$ 1,084,338</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 1,083,225	\$ 19,594	\$ -	\$ -	\$ -	\$ 200,000
Accrued payroll and benefits	731,144	-	-	-	-	-
Unearned revenue	298,882	-	-	-	-	2,187
Deposits payable	255,120	-	-	-	-	-
Advances from other funds	124,493	-	-	-	-	-
	<u>2,492,864</u>	<u>19,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,187</u>
Total Liabilities	<u>2,492,864</u>	<u>19,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,187</u>
FUND BALANCES:						
Nonspendable	3,041,289	-	-	-	-	326,633
Restricted	-	-	-	-	-	555,518
Assigned	765,331	10,902,275	-	-	1,397	-
Unassigned	-	2,599,195	499,931	40,785	-	-
	<u>3,806,620</u>	<u>13,501,470</u>	<u>499,931</u>	<u>40,785</u>	<u>1,397</u>	<u>882,151</u>
Total Fund Balances	<u>3,806,620</u>	<u>13,501,470</u>	<u>499,931</u>	<u>40,785</u>	<u>1,397</u>	<u>882,151</u>
Total Liabilities and Fund Balances	<u>\$ 6,299,484</u>	<u>\$ 13,521,064</u>	<u>\$ 499,931</u>	<u>\$ 40,785</u>	<u>\$ 1,397</u>	<u>\$ 1,084,338</u>

CITY OF NOVATO
GENERAL FUND
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2017

	Emergency & Disaster Response	Civic Center	Long-Term Maintenance Facilities	Long-Term Maintenance Infrastructure	Deposits Held in Trust	Total General Fund
<u>ASSETS</u>						
Cash and investments	\$ 5,846,181	\$ 126,751	\$ 844,171	\$ 837,240	\$ -	\$ 22,748,172
Restricted cash and investments	-	-	-	-	294,587	294,587
Accounts receivable	-	-	-	-	-	787,136
Notes Receivable	-	-	-	-	-	9,594
Interest receivable	-	-	-	-	-	176,701
Taxes receivable	-	-	-	-	-	2,327,185
Due from other funds	-	-	-	-	-	1,427,747
Advances to other funds	775,000	-	-	-	-	775,000
Advances to Successor Agency	947,784	-	-	-	-	2,502,035
Prepaid items	-	-	-	-	-	70,556
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,568,965</u>	<u>\$ 126,751</u>	<u>\$ 844,171</u>	<u>\$ 837,240</u>	<u>\$ 294,587</u>	<u>\$ 31,118,713</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,302,819
Accrued payroll and benefits	-	-	-	-	-	731,144
Unearned revenue	6,347	-	-	-	-	307,416
Deposits payable	-	-	-	-	294,587	549,707
Advances from other funds	-	-	-	-	-	124,493
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>6,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,587</u>	<u>3,015,579</u>
FUND BALANCES:						
Nonspendable	1,722,784	-	-	-	-	5,090,706
Restricted	-	-	-	-	-	555,518
Assigned	5,839,834	126,751	844,171	837,240	-	19,316,999
Unassigned	-	-	-	-	-	3,139,911
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>7,562,618</u>	<u>126,751</u>	<u>844,171</u>	<u>837,240</u>	<u>-</u>	<u>28,103,134</u>
Total Liabilities and Fund Balances	<u>\$ 7,568,965</u>	<u>\$ 126,751</u>	<u>\$ 844,171</u>	<u>\$ 837,240</u>	<u>\$ 294,587</u>	<u>\$ 31,118,713</u>

CITY OF NOVATO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2017

	<u>General Fund</u>	<u>Measure F Sales Tax</u>	<u>City Owned Property</u>	<u>Successor Agency Admin</u>	<u>Pension Reserve</u>	<u>Insurance Reserve</u>
<u>REVENUES</u>						
Taxes and assessments	\$ 29,916,376	\$ 46,164	\$ -	\$ -	\$ -	\$ -
Licence, permits, & fees	1,322,662	-	-	-	-	-
Intergovernmental	362,996	-	-	67,384	-	-
Fines and forfeitures	610,177	-	-	-	-	-
Use of money and property	292,878	136,014	877	-	13	6,402
Charges for services	3,528,578	-	-	-	-	-
Other revenues	<u>100,320</u>	<u>12,888</u>	<u>500,018</u>	<u>-</u>	<u>-</u>	<u>22,400</u>
Total Revenues	<u>36,133,987</u>	<u>195,066</u>	<u>500,895</u>	<u>67,384</u>	<u>13</u>	<u>28,802</u>
<u>EXPENDITURES</u>						
General government	6,674,820	294,897	964	66,991	-	358,250
Public safety	14,217,077	238,518	-	-	-	-
Public works	6,388,886	280,580	-	-	-	-
Cultural and recreation	5,447,339	159,974	-	-	-	116,251
Community development	453,383	56,347	-	-	-	-
Capital outlay	1,608,678	-	-	-	-	-
Debt service:						
Principal	200,764	-	-	-	-	-
Interest and fiscal charges	<u>9,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>35,000,638</u>	<u>1,030,316</u>	<u>964</u>	<u>66,991</u>	<u>-</u>	<u>474,501</u>
Excess (deficiency) of revenues over expenditures	<u>1,133,349</u>	<u>(835,250)</u>	<u>499,931</u>	<u>393</u>	<u>13</u>	<u>(445,699)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from capital lease	16,962	-	-	-	-	-
Transfers in	2,973,511	-	-	-	-	300,000
Transfers out	<u>(4,447,808)</u>	<u>(866,969)</u>	<u>-</u>	<u>(1,571)</u>	<u>-</u>	<u>(41,838)</u>
Total Other Financing Sources (Uses)	<u>(1,457,335)</u>	<u>(866,969)</u>	<u>-</u>	<u>(1,571)</u>	<u>-</u>	<u>258,162</u>
Net Change in Fund Balance	(323,986)	(1,702,219)	499,931	(1,178)	13	(187,537)
Fund Balances - July 1, 2016	<u>4,130,606</u>	<u>15,203,689</u>	<u>-</u>	<u>41,963</u>	<u>1,384</u>	<u>1,069,688</u>
Fund Balances - June 30, 2017	<u>\$ 3,806,620</u>	<u>\$ 13,501,470</u>	<u>\$ 499,931</u>	<u>\$ 40,785</u>	<u>\$ 1,397</u>	<u>\$ 882,151</u>

CITY OF NOVATO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2017

	Emergency & Disaster Response	Civic Center	Long-Term Maintenance Facilities	Long-Term Maintenance Infrastructure	Deposits Held in Trust	Total General Fund
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,962,540
Licence, permits, & fees	-	-	-	-	-	1,322,662
Intergovernmental	-	-	-	-	-	430,380
Fines and forfeitures	-	-	-	-	-	610,177
Use of money and property	-	1,256	9,604	8,376	-	455,420
Charges for services	-	-	-	-	-	3,528,578
Other revenues	-	-	-	-	-	635,626
Total Revenues	-	1,256	9,604	8,376	-	36,945,383
EXPENDITURES						
General government	-	-	-	-	-	7,395,922
Public safety	-	-	-	-	-	14,455,595
Public works	-	-	-	-	-	6,669,466
Cultural and recreation	-	-	-	-	-	5,723,564
Community development	600,000	-	-	-	-	1,109,730
Capital outlay	-	-	-	-	-	1,608,678
Debt service:						
Principal	-	-	-	-	-	200,764
Interest and fiscal charges	-	-	-	-	-	9,691
Total Expenditures	600,000	-	-	-	-	37,173,410
Excess (deficiency) of revenues over expenditures	<u>(600,000)</u>	<u>1,256</u>	<u>9,604</u>	<u>8,376</u>	<u>-</u>	<u>(228,027)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	-	-	-	-	-	16,962
Transfers in	1,205,318	-	572,600	572,600	-	5,624,029
Transfers out	-	(8,046)	(762,399)	(338,367)	-	(6,466,998)
Total Other Financing Sources (Uses)	1,205,318	(8,046)	(189,799)	234,233	-	(826,007)
Net Change in Fund Balance	605,318	(6,790)	(180,195)	242,609	-	(1,054,034)
Fund Balances - July 1, 2016	<u>6,957,300</u>	<u>133,541</u>	<u>1,024,366</u>	<u>594,631</u>	<u>-</u>	<u>29,157,168</u>
Fund Balances - June 30, 2017	<u>\$ 7,562,618</u>	<u>\$ 126,751</u>	<u>\$ 844,171</u>	<u>\$ 837,240</u>	<u>\$ -</u>	<u>\$ 28,103,134</u>



STATISTICAL SECTION



STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	146 - 151
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	152 - 156
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	157 - 160
Economic and Demographic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	161 - 162
Operating Information	
These schedules contain contextual information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	163 - 165

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF NOVATO, CALIFORNIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008*</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 206,751,826	\$ 210,664,758	\$ 218,027,582	\$ 171,254,222	\$ 228,626,305	\$ 235,404,419	\$ 242,467,907	\$ 242,779,662	\$ 243,095,293	\$ 246,398,480
Restricted	34,896,121	35,511,332	35,598,920	66,503,007	60,707,683	59,797,068	55,425,621	57,362,273	56,973,360	54,490,947
Unrestricted	14,481,810	12,796,299	5,829,605	22,843,057	24,088,853	13,128,317	13,077,341	(28,092,532)	(22,163,745)	(24,236,403)
Total governmental activities net position	<u>\$ 256,129,757</u>	<u>\$ 258,972,389</u>	<u>\$ 259,456,107</u>	<u>\$ 260,600,286</u>	<u>\$ 313,422,841</u>	<u>\$ 308,329,804</u>	<u>\$ 310,970,869</u>	<u>\$ 272,049,403</u>	<u>\$ 277,904,908</u>	<u>\$ 276,653,024</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	4,694,556	5,123,344	7,372,568	7,809,435	8,255,016	8,966,937	9,511,419
Restricted	-	-	-	4,534,525	4,990,339	3,307,011	3,198,164	3,845,741	4,250,937	4,802,060
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,229,081</u>	<u>\$ 10,113,683</u>	<u>\$ 10,679,579</u>	<u>\$ 11,007,599</u>	<u>\$ 12,100,757</u>	<u>\$ 13,217,874</u>	<u>\$ 14,313,479</u>
Primary government										
Net investment in capital assets	\$ 206,751,826	\$ 210,664,758	\$ 218,027,582	\$ 175,948,778	\$ 233,749,649	\$ 242,776,987	\$ 250,277,342	\$ 251,034,678	\$ 252,062,230	\$ 255,909,899
Restricted	34,896,121	35,511,332	35,598,920	71,037,532	65,698,022	63,104,079	58,623,785	61,208,014	61,224,297	59,293,007
Unrestricted	14,481,810	12,796,299	5,829,605	22,843,057	24,088,853	13,128,317	13,077,341	(28,092,532)	(22,163,745)	(24,236,403)
Total primary government net position	<u>\$ 256,129,757</u>	<u>\$ 258,972,389</u>	<u>\$ 259,456,107</u>	<u>\$ 269,829,367</u>	<u>\$ 323,536,524</u>	<u>\$ 319,009,383</u>	<u>\$ 321,978,468</u>	<u>\$ 284,150,160</u>	<u>\$ 291,122,782</u>	<u>\$ 290,966,503</u>

*Figures are displayed as previously reported. Figures do not reflect the effects of GASB 68 as no comparable actuarial informational is available for fiscal years preceding the year ended June 30, 2015.

CITY OF NOVATO, CALIFORNIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008*	2009*	2010*	2011*	2012*	2013*	2014*	2015	2016	2017
Expenses										
Governmental Activities:										
General government	7,784,269	\$ 5,911,004	\$ 5,587,806	\$ 7,876,829	\$ 7,638,988	\$ 7,781,817	\$ 8,935,015	\$ 8,498,035	\$ 9,119,007	\$ 10,620,762
Public safety	13,937,754	14,222,913	13,723,020	13,748,305	13,661,317	13,869,998	13,880,525	13,888,931	13,610,725	15,305,691
Public works	6,578,534	8,184,285	7,109,513	10,556,227	11,056,798	10,765,925	12,183,077	11,121,708	11,966,243	12,593,990
Culture and recreation	6,137,789	5,770,022	5,045,285	5,659,528	5,451,325	5,401,708	5,625,603	5,700,386	5,416,647	7,137,128
Community development	3,134,075	2,425,672	4,737,795	1,617,129	794,207	460,611	500,752	794,963	1,039,862	1,450,979
Interest and fiscal charges	3,993,697	3,397,093	3,273,199	12,729,093	3,303,291	1,922,350	1,723,190	1,541,378	1,534,060	1,598,968
SERAF				547,090						
Depreciation - Infrastructure	4,712,033	4,653,111	4,729,878							
Transfers out	12,537,149	12,577,519	14,480,550							
Total government activity expenses	\$ 58,815,300	\$ 57,141,619	\$ 58,687,046	\$ 52,734,201	\$ 41,905,926	\$ 40,202,409	\$ 42,848,162	\$ 41,545,401	\$ 42,686,544	\$ 48,707,518
Business-type activities:										
Marin Valley Mobile Country Club Park				\$ 2,160,949	\$ 2,411,543	\$ 2,674,765	\$ 1,996,830	\$ 1,982,580	\$ 2,011,579	\$ 2,244,803
Total business-type activities expenses	-	-	-	2,160,949	2,411,543	2,674,765	1,996,830	1,982,580	2,011,579	2,244,803
Total primary government expenses	\$ 58,815,300	\$ 57,141,619	\$ 58,687,046	\$ 54,895,150	\$ 44,317,469	\$ 42,877,174	\$ 44,844,992	\$ 43,527,981	\$ 44,698,123	\$ 50,952,321
Program Revenues										
Charges for Services										
General government	\$ 419,419	\$ 393,720	\$ 403,331	\$ 1,637,541	\$ 1,725,114	\$ 2,120,020	\$ 1,938,543	\$ 1,936,586	\$ 1,986,524	\$ 2,004,275
Public safety	494,287	531,103	562,198	491,979	586,995	643,785	532,565	479,142	459,489	483,066
Public works	1,991,115	764,411	1,985,593	877,890	318,378	779,883	312,493	453,562	519,240	378,351
Culture and recreation	2,323,026	2,329,450	1,911,337	1,719,917	1,746,840	2,104,441	2,000,776	2,162,159	2,255,622	2,351,502
Community development	2,316,211	2,615,420	1,698,045	1,599,818	1,612,260	1,488,476	2,184,622	1,919,720	1,919,658	2,221,831
Operating grants	254,441	171,901	672,164	1,374,722	995,948	1,184,446	1,161,861	1,498,193	855,576	662,343
Capital grants	2,440,783	1,445,255	774,008	1,128,976	2,870,043	38,310	733,988	441,739	651,246	1,623,186
Total governmental activities	10,239,282	8,251,260	8,006,676	8,830,843	9,855,578	8,359,361	8,864,848	8,891,101	8,647,355	9,724,554
Business-type activities:										
Charges for services				3,006,278	3,026,205	3,028,950	3,030,005	3,045,589	3,089,351	3,146,104
Total business-type activities	-	-	-	3,006,278	3,026,205	3,028,950	3,030,005	3,045,589	3,089,351	3,146,104
Total primary government	\$ 10,239,282	\$ 8,251,260	\$ 8,006,676	\$ 11,837,121	\$ 12,881,783	\$ 11,388,311	\$ 11,894,853	\$ 11,936,690	\$ 11,736,706	\$ 12,870,658
Net (Expense)/Revenue										
Governmental activities	\$ (48,576,018)	\$ (48,890,359)	\$ (50,680,370)	\$ (43,903,358)	\$ (32,050,348)	\$ (31,843,048)	\$ (33,983,314)	\$ (32,654,300)	\$ (34,039,189)	\$ (38,982,964)
Business-type activities	-	-	-	845,329	614,662	354,185	1,033,175	1,063,009	1,077,772	901,301
Total primary government	\$ (48,576,018)	\$ (48,890,359)	\$ (50,680,370)	\$ (43,058,029)	\$ (31,435,686)	\$ (31,488,863)	\$ (32,950,139)	\$ (31,591,291)	\$ (32,961,417)	\$ (38,081,663)

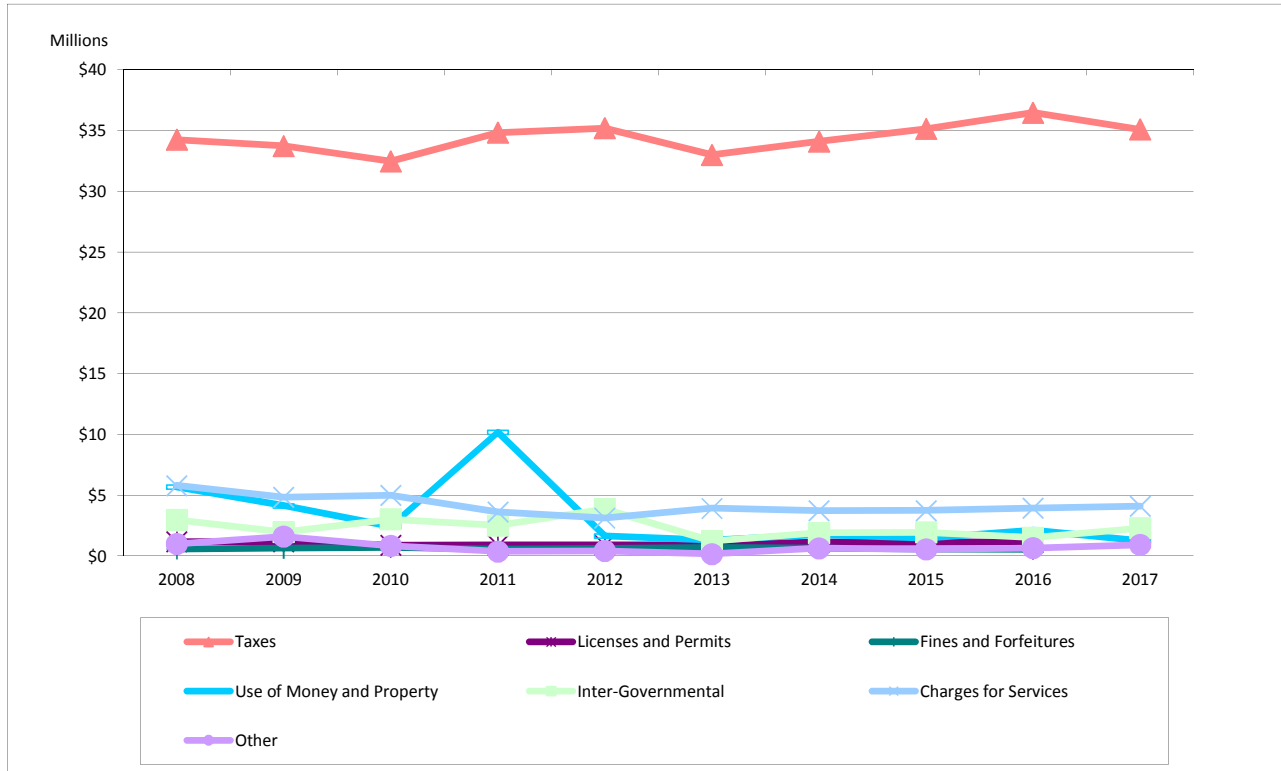
CITY OF NOVATO, CALIFORNIA
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2008*</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues										
Government Activities										
Taxes										
Sales and use taxes	\$ 7,017,158	\$ 6,795,354	\$ 6,843,532	\$ 7,091,679	\$ 10,572,876	\$ 11,264,442	\$ 11,515,918	\$ 12,344,326	\$ 13,016,153	\$ 12,406,239
Property taxes	22,720,727	22,380,430	18,500,226	22,983,946	19,696,677	16,910,337	17,123,536	17,155,959	17,899,660	17,062,356
Motor vehicle and gas taxes	1,188,490	1,084,014	1,043,362	1,524,267	1,550,644	1,309,941	1,662,685	1,556,409	1,207,195	1,086,140
Franchise taxes	1,355,063	1,402,686	1,377,382	1,446,452	1,485,645	1,454,621	1,504,226	1,534,708	1,624,399	1,689,146
Transient occupancy taxes	1,075,572	1,004,508	896,684	942,373	1,053,790	1,218,261	1,353,995	1,543,636	1,645,110	1,647,873
Business license taxes	844,949	849,748	838,182	832,498	819,916	834,276	939,557	999,842	1,064,807	1,185,298
Other taxes	299,377	2,458,292	4,535,019	2,550	14,102	5,011	4,451	5,080	3,511	6,330
Interest and investment	2,982,085	814,009	1,296,838	9,344,352	722,441	697,725	838,904	554,969	1,268,887	978,267
Rental income	1,713,336	785,503	527,844	863,798	939,818	627,039	1,000,124	1,016,325	926,262	963,689
Other revenue	998,751	1,599,512	824,469	375,725	418,051	163,753	666,878	551,847	649,710	409,631
Transfers In	12,595,029	12,558,935	14,480,550				250,000			
Total governmental activities	<u>52,790,537</u>	<u>51,732,991</u>	<u>51,164,088</u>	<u>45,407,640</u>	<u>37,273,960</u>	<u>34,485,406</u>	<u>36,860,274</u>	<u>37,263,101</u>	<u>39,305,694</u>	<u>37,434,969</u>
Business-type Activities										
Interest and investment				203,311	252,809	199,017	11,816	16,091	26,478	39,462
Other revenue				13,915	17,131	12,694	13,234	14,058	12,867	154,842
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,226</u>	<u>269,940</u>	<u>211,711</u>	<u>25,050</u>	<u>30,149</u>	<u>39,345</u>	<u>194,304</u>
Other sources(uses) of money							(250,000)			
Total primary government	<u>\$ 52,790,537</u>	<u>\$ 51,732,991</u>	<u>\$ 51,164,088</u>	<u>\$ 45,624,866</u>	<u>\$ 37,543,900</u>	<u>\$ 34,697,117</u>	<u>\$ 36,635,324</u>	<u>\$ 37,293,250</u>	<u>\$ 39,345,039</u>	<u>\$ 37,629,273</u>
Extraordinary item - RDA dissolution					\$ 46,397,146					
Change in Net Position										
Governmental activities	\$ 4,214,519	\$ 2,842,632	\$ 483,718	\$ 1,504,282	\$ 51,620,758	\$ 2,642,358	\$ 2,626,960	\$ 4,608,801	\$ 5,266,505	\$ (1,547,995)
Business-type activities	-	-	-	1,062,555	884,602	565,896	1,058,225	1,093,158	1,117,117	1,095,605
Total primary government	<u>\$ 4,214,519</u>	<u>\$ 2,842,632</u>	<u>\$ 483,718</u>	<u>\$ 2,566,837</u>	<u>\$ 52,505,360</u>	<u>\$ 3,208,254</u>	<u>\$ 3,685,185</u>	<u>\$ 5,701,959</u>	<u>\$ 6,383,622</u>	<u>\$ (452,390)</u>

*Figures are displayed as previously reported. Figures do not reflect the effects of GASB 68 as no comparable actuarial informational is available for fiscal years preceding the year ended June 30, 2015.

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
GOVERNMENTAL FUNDS REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)



<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
2008	\$ 34,238,342	\$ 1,172,095	\$ 578,017	\$ 5,679,987	\$ 2,958,218	\$ 5,793,950	\$ 998,751	\$ 51,419,360
2009	\$ 33,722,149	\$ 1,169,382	\$ 632,552	\$ 4,134,701	\$ 1,962,556	\$ 4,832,171	\$ 1,599,512	\$ 48,053,023
2010	\$ 32,466,827	\$ 885,043	\$ 693,534	\$ 2,447,178	\$ 3,013,732	\$ 4,981,928	\$ 824,469	\$ 45,312,711
2011	\$ 34,823,765	\$ 895,765	\$ 559,139	\$ 10,171,635	\$ 2,503,698	\$ 3,629,511	\$ 375,725	\$ 52,959,238
2012	\$ 35,193,650	\$ 910,559	\$ 611,791	\$ 1,642,838	\$ 3,865,991	\$ 3,126,521	\$ 418,051	\$ 45,769,401
2013	\$ 32,996,889	\$ 907,460	\$ 695,651	\$ 1,312,820	\$ 1,222,756	\$ 3,926,272	\$ 163,753	\$ 41,225,601
2014	\$ 34,104,368	\$ 1,135,912	\$ 633,345	\$ 1,749,663	\$ 1,895,849	\$ 3,737,043	\$ 637,639	\$ 43,893,819
2015	\$ 35,139,960	\$ 1,144,209	\$ 570,564	\$ 1,472,583	\$ 1,939,932	\$ 3,742,318	\$ 551,847	\$ 44,561,413
2016	\$ 36,460,835	\$ 1,134,230	\$ 549,834	\$ 2,108,016	\$ 1,506,811	\$ 3,941,467	\$ 649,721	\$ 46,350,914
2017	\$ 35,083,382	\$ 1,322,662	\$ 610,177	\$ 1,250,962	\$ 2,285,529	\$ 4,095,861	\$ 909,649	\$ 45,558,222

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$ 10,284,290	\$ 10,535,241	\$ 10,828,866							
Unreserved	413,472	(18,600)								
Nonspendable				\$ 31,006,545	\$ 630,064	\$ 770,902	\$ 1,403,960	\$ 1,126,334	\$ 2,181,264	\$ 5,090,706
Restricted				36,687,967	1,192,404	1,194,771	1,200,002	1,131,556	1,069,688	555,518
Assigned				23,222,051	23,170,714	16,122,964	9,366,440	17,283,943	17,618,959	19,316,999
Unassigned				(27,012,787)	4,495,908	8,035,979	11,329,856	6,107,024	8,287,257	3,139,911
Total General Fund	<u>\$ 10,697,762</u>	<u>\$ 10,516,641</u>	<u>\$ 10,828,866</u>	<u>\$ 63,903,776</u>	<u>\$ 29,489,090</u>	<u>\$ 26,124,616</u>	<u>\$ 23,300,258</u>	<u>\$ 25,648,857</u>	<u>\$ 29,157,168</u>	<u>\$ 28,103,134</u>
All Other Governmental Funds										
Reserved	\$ 4,630,161	\$ 4,011,639	\$ 4,401,643							
Unreserved reported in:										
Special revenue funds	14,987,515	14,435,867	12,523,218							
Capital project funds	22,867,841	20,953,469	16,370,514							
Nonspendable				\$ 227,542	\$ 1,398,958	\$ 1,323,930	\$ 1,241,560	\$ 2,188,911	\$ 3,267,946	\$ 354,855
Restricted				29,815,040	59,515,279	58,602,297	57,520,490	57,717,064	55,903,672	56,675,956
Assigned				343,209	337,712	303,089	264,628	202,498	160,066	118,866
Unassigned				(1,687,680)	(1,286,967)	(1,272,536)	(1,106,456)	(396,865)	(912,227)	(1,987,752)
Total all other Governmental Funds	<u>\$ 42,485,517</u>	<u>\$ 39,400,975</u>	<u>\$ 33,295,375</u>	<u>\$ 28,698,111</u>	<u>\$ 59,964,982</u>	<u>\$ 58,956,780</u>	<u>\$ 57,920,222</u>	<u>\$ 59,711,608</u>	<u>\$ 58,419,457</u>	<u>\$ 55,161,925</u>

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Taxes and assessments	\$ 34,238,342	\$ 33,722,149	\$ 32,466,827	\$ 34,823,765	\$ 35,193,650	\$ 32,996,889	\$ 34,104,368	\$ 35,139,960	\$ 36,460,835	\$ 35,083,382
Licenses, permits, and fess	1,172,095	1,169,382	885,043	895,765	910,559	907,460	1,135,912	1,144,209	1,134,230	1,322,662
Intergovernmental revenues	2,958,218	1,962,556	3,013,732	2,503,698	3,865,991	1,222,756	1,895,849	1,939,932	1,506,811	2,285,529
Fines and forfeitures	578,017	632,552	693,534	559,139	611,791	695,651	633,345	570,564	549,834	610,177
Use of money and property	5,679,987	4,134,701	2,447,178	10,171,635	1,642,838	1,312,820	1,749,663	1,472,583	2,108,016	1,250,962
Charges for service	5,793,950	4,832,171	4,981,928	3,629,511	3,126,521	3,926,272	3,737,043	3,742,318	3,941,467	4,095,861
Other revenues	998,751	1,599,512	824,469	375,725	418,051	163,753	637,639	551,847	649,721	909,649
Total revenues	51,419,360	48,053,023	45,312,711	52,959,238	45,769,401	41,225,601	43,893,819	44,561,413	46,350,914	45,558,222
Expenditures										
General government	7,820,932	5,527,404	5,131,874	5,564,706	5,663,717	6,122,473	6,708,285	6,224,333	7,026,782	7,701,952
Public safety	13,716,397	13,540,717	13,126,813	13,237,104	12,927,288	13,285,609	13,620,090	13,940,580	13,921,012	14,559,577
Public works	6,934,057	7,689,298	6,507,299	5,924,312	6,277,551	6,533,835	7,673,884	6,777,059	6,976,942	8,035,935
Culture and recreation	6,103,080	5,737,861	5,003,083	4,813,224	4,580,631	4,614,214	4,841,050	5,088,194	5,498,234	5,856,492
Community Development	3,135,875	2,145,427	1,996,974	1,321,387	648,037	482,802	812,535	763,338	1,843,830	1,271,933
SERAF shift			2,657,292	547,090						
Debt service - Principal	2,661,238	2,981,041	3,222,160	3,552,199	3,286,806	2,373,606	12,635,436	2,032,911	2,046,858	2,107,187
Debt service - Interest	4,345,551	3,918,474	3,767,013	12,270,256	3,099,930	1,709,201	1,621,176	1,275,353	1,250,373	1,281,757
Issuance costs		76,650		495,064			130,450			17,400
Capital outlay	8,098,954	8,421,391	10,778,629	3,249,638	8,045,197	10,510,233	10,283,974	4,075,756	5,625,581	8,594,973
Total expenditures	52,816,084	50,038,263	52,191,137	50,974,980	44,529,157	45,631,973	58,326,880	40,177,524	44,189,612	49,427,206
Excess of revenues over (under) expenditures	(1,396,724)	(1,985,240)	(6,878,426)	1,984,258	1,240,244	(4,406,372)	(14,433,061)	4,383,889	2,161,302	(3,868,984)
Other financing sources (uses)										
Issuance of debt		1,755,022		17,000,000			10,710,450			
Proceeds from loan/lease						250,000	71,742	245,342	68,741	16,962
Loss on sale of assets		(193,230)								
Transfers in	12,595,029	12,558,935	14,480,550	7,454,805	11,011,019	12,915,875	14,197,147	8,105,067	8,172,441	11,449,365
Transfers out	(12,555,229)	(12,955,801)	(14,899,949)	(7,852,252)	(11,459,110)	(13,132,179)	(14,407,194)	(8,594,313)	(8,580,324)	(11,908,910)
Total other financing sources	39,800	1,164,926	(419,399)	16,602,553	(448,091)	33,696	10,572,145	(243,904)	(339,142)	(442,583)
Extraordinary Item										
Redevelopment Dissolution					(3,939,968)					
Net change in fund balance	\$ (1,356,924)	\$ (820,314)	\$ (7,297,825)	\$ 18,586,811	\$ (3,147,815)	\$ (4,372,676)	\$ (3,860,916)	\$ 4,139,985	\$ 1,822,160	\$ (4,311,567)
Debt service as a % of noncapital expenditures	15.7%	16.6%	16.9%	33.2%	17.5%	11.6%	29.7%	9.2%	8.6%	8.3%

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS



Property Taxes - Primary Own-Source Revenue

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other [a]	Less: Tax		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value [b]
					Exempt Property [c]				
2008	\$ 6,890,729,987	\$ 1,127,501,013	\$ 244,560,032	\$ 307,497,504	\$ -	\$ -	\$ 8,570,288,536	14.871%	\$ 1,274,487,608
2009	\$ 7,044,510,993	\$ 1,278,388,550	\$ 249,525,537	\$ 294,195,091	\$ -	\$ -	\$ 8,866,620,171	14.862%	\$ 1,317,757,090
2010	\$ 6,674,078,454	\$ 1,400,313,093	\$ 278,297,838	\$ 338,431,080	\$ -	\$ -	\$ 8,691,120,465	14.822%	\$ 1,288,197,875
2011	\$ 6,561,771,444	\$ 1,354,453,126	\$ 279,488,171	\$ 356,619,607	\$ -	\$ -	\$ 8,552,332,348	14.776%	\$ 1,263,692,628
2012	\$ 6,621,127,316	\$ 1,251,046,390	\$ 279,231,224	\$ 252,794,801	\$ -	\$ -	\$ 8,404,199,731	15.016%	\$ 1,261,974,632
2013	\$ 6,447,644,682	\$ 1,215,504,308	\$ 284,916,160	\$ 341,646,347	\$ -	\$ -	\$ 8,289,711,497	14.798%	\$ 1,226,711,507
2014	\$ 6,739,467,650	\$ 1,225,832,582	\$ 285,633,440	\$ 320,222,339	\$ -	\$ -	\$ 8,571,156,011	7.678%	\$ 658,093,359
2015	\$ 7,148,968,258	\$ 1,237,684,443	\$ 291,634,608	\$ 336,917,943	\$ -	\$ -	\$ 9,015,205,252	8.307%	\$ 748,893,100
2016	\$ 7,657,987,962	\$ 1,277,328,747	\$ 327,257,110	\$ 358,255,789	\$ -	\$ -	\$ 9,620,829,608	8.245%	\$ 793,237,401
2017	\$ 8,117,965,453	\$ 1,290,822,448	\$ 364,834,620	\$ 818,967,493	\$ -	\$ -	\$ 10,592,590,014	8.208%	\$ 869,439,788

Notes:

[a] Includes "supplemental roll" tax receipts for property transfer after "lien date" (collections can exceed 100% of levy).

[b] In 1978 the voters of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

[c] Exempt values are not included in total.

Source : Marin County Assessor Combined Tax Rolls & HdL Companies

CITY OF NOVATO, CALIFORNIA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Per \$100 of Assessed Value)

Fiscal Year	Basic City Levy [a]	Dixie School Bonds	Marin Community College Bonds	Marin Healthcare Measure F	Novato City Bonds	Novato School Bonds	San Rafael High Bonds	Total Direct Rate	Total Direct and Overlapping Rates
2008	1.00000	0.01710	0.01630	0.00000	0.00860	0.06640	0.02440	0.14871	1.13280
2009	1.00000	0.01680	0.00420	0.00000	0.00740	0.07000	0.02420	0.14862	1.12260
2010	1.00000	0.01740	0.01920	0.00000	0.00840	0.07520	0.02540	0.14822	1.14560
2011	1.00000	0.01860	0.01360	0.00000	0.00960	0.08900	0.02790	0.14776	1.15870
2012	1.00000	0.01840	0.01750	0.00000	0.00760	0.07930	0.02680	0.15016	1.14960
2013	1.00000	0.01540	0.01780	0.00000	0.00870	0.08650	0.02780	0.14798	1.15620
2014	1.00000	0.00000	0.02040	0.00000	0.00620	0.07330	0.02940	0.07678	1.12930
2015	1.00000	0.00000	0.01800	0.00000	0.01830	0.06170	0.00000	0.08307	1.09800
2016	1.00000	0.00000	0.01650	0.02350	0.01730	0.05680	0.00000	0.08245	1.11410
2017	1.00000	0.00000	0.01420	0.00930	0.01680	0.05960	0.00000	0.08208	1.09990

[a] Overlapping rates are those of local and county governments that apply to property owners within the city. Not all overlapping rates apply to all property owners.

Source : HdL Companies

**CITY OF NOVATO, CALIFORNIA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS PRIOR**

	2017			2008		
	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed
Taxpayer						
BioMarin Pharmaceutical Inc.	1	\$ 207,168,899	1.96%	4	\$ 57,023,706	0.67%
Novato FF Property LLC	2	128,000,000	1.21%			
Professional Investors Security Fund	3	93,758,733	0.89%	10	25,384,861	0.30%
HL Novato LLC	4	85,250,000	0.80%			
Steven J. Scarpa	5	75,325,713	0.71%	2	62,207,103	0.73%
JCC Cal Properties LLC	6	64,104,929	0.61%			
Contesta Novato Investors LLC	7	48,073,075	0.45%			
Hamilton Marketplace LLC	8	44,729,089	0.42%			
Karen Pell Etal	9	33,461,682	0.32%	7	29,566,693	0.34%
Condiotti Enterprises Inc.	10	31,167,605	0.29%	9	26,624,585	0.31%
First States Investors 239 LLC				1	193,800,000	2.26%
Hamilton Marin LLC				3	60,648,702	0.71%
James Campbell Company LLC				5	53,400,927	0.62%
Lexington Wood Hollow				6	41,385,800	0.48%
WH McVay Trust LL Etal				8	29,063,048	0.34%
Top Ten Totals		\$ 811,039,725	7.66%		\$ 579,105,425	6.76%
City Total Taxable Assessed Value		\$ 10,592,590,014			\$ 8,570,288,536	

Source: Hdl Companies

CITY OF NOVATO, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(in thousands of dollar)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ¹		Collection in Subsequent Years	Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2008	\$ 22,721	\$ 22,721	100.00%	-	\$ 22,721	100.00%
2009	\$ 22,380	\$ 22,380	100.00%	-	\$ 22,380	100.00%
2010	\$ 18,500	\$ 18,500	100.00%	-	\$ 18,500	100.00%
2011	\$ 22,984	\$ 22,984	100.00%	-	\$ 22,984	100.00%
2012	\$ 19,697	\$ 19,697	100.00%	-	\$ 19,697	100.00%
2013	\$ 16,910	\$ 16,910	100.00%	-	\$ 16,910	100.00%
2014	\$ 17,124	\$ 17,124	100.00%	-	\$ 17,124	100.00%
2015	\$ 17,156	\$ 17,156	100.00%	-	\$ 17,156	100.00%
2016	\$ 17,900	\$ 17,900	100.00%	-	\$ 17,900	100.00%
2017	\$ 17,062	\$ 17,062	100.00%	-	\$ 17,062	100.00%

1 Property tax for the City of Novato is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Marin County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

Source: Hdl Companies

CITY OF NOVATO, CALIFORNIA
SALES TAX REVENUES BY CATEGORY - MAJOR INDUSTRY GROUPS
LAST TEN FISCAL YEARS

(amounts in thousands of dollars)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11 [a]</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Major Business Groups										
General Retail	\$ 2,701	\$ 2,819	\$ 2,835	\$ 3,173	\$ 4,522	\$ 4,803	\$ 4,580	\$ 4,626	\$ 4,280	\$ 3,843
Food Products	\$ 1,290	\$ 1,192	\$ 1,151	\$ 1,374	\$ 1,914	\$ 1,990	\$ 2,075	\$ 2,229	\$ 2,245	\$ 1,998
Transportation	\$ 1,865	\$ 1,558	\$ 1,481	\$ 1,925	\$ 2,901	\$ 3,016	\$ 3,125	\$ 3,026	\$ 2,820	\$ 2,560
Business to Business	\$ 619	\$ 611	\$ 488	\$ 674	\$ 1,062	\$ 1,104	\$ 1,142	\$ 1,228	\$ 1,355	\$ 1,095
Construction	\$ 436	\$ 348	\$ 249	\$ 312	\$ 534	\$ 540	\$ 627	\$ 639	\$ 588	\$ 549

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

[a] Beginning 4th quarter FY 2010-11, City's sales tax revenue reflects revenues from Measure F, a five-year, 1/2 cent district add-on tax

[b] Beginning 4th quarter FY 2015-169. City's sales tax revenue reflects sunseting of Triple Flip, returning 1/4 cent sales tax to city; end of Measure F; start of Measure C, ongoing 1/4 cent district add-on tax

Source: Hdl Companies (FY 2006-07 through FY 2007-08)

MuniServices Company (FY 2008-09 through FY 2015-16)

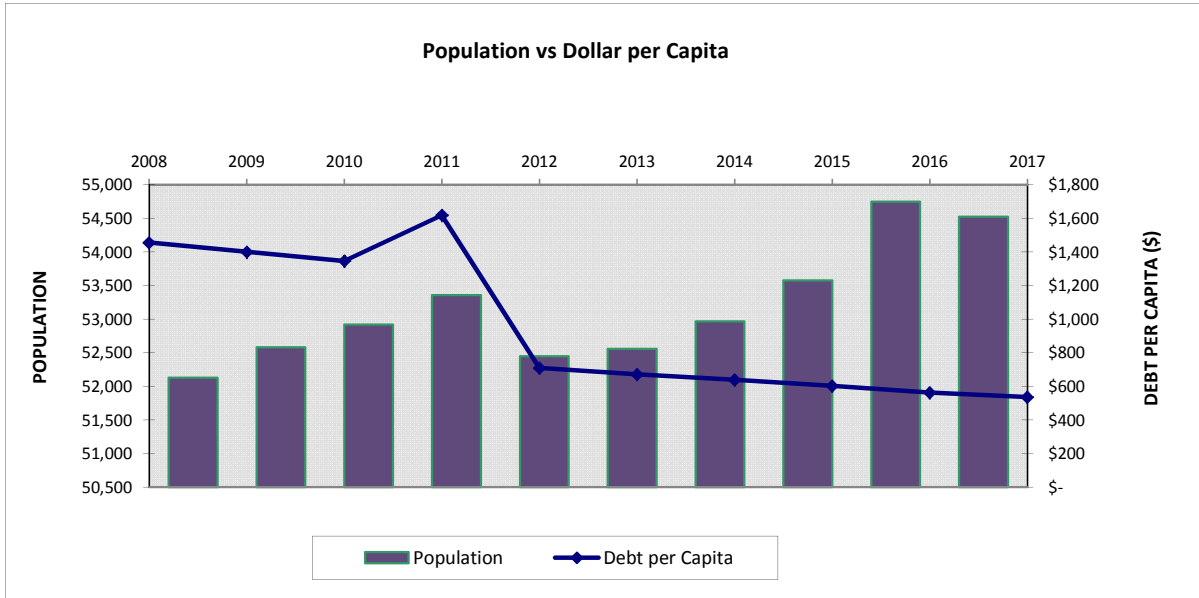
CITY OF NOVATO, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts in thousands of dollars, except per capita amount)

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percent of Personal Income	Population	Debt per Capita
	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Other	Capital Lease / Loan	MVMCC Note / Loan				
2008	\$ 25,234	\$ 18,101	\$ 32,540	\$ -	\$ 7,498	\$ 12,675	\$ 96,048	4.15%	52,127	\$ 1,843
2009	\$ 23,703	\$ 18,079	\$ 31,840	\$ 1,837	\$ 6,985	\$ 12,335	\$ 94,779	4.02%	52,581	\$ 1,803
2010	\$ 22,067	\$ 18,016	\$ 31,120	\$ 1,706	\$ 6,172	\$ 10,760	\$ 89,841	3.91%	52,919	\$ 1,698
2011	\$ 19,930	\$ 19,005	\$ 47,380	\$ 1,574	\$ 5,303	\$ 10,435	\$ 103,627	4.96%	53,357	\$ 1,942
2012	\$ 18,105	\$ 19,074	\$ -	\$ 1,443	\$ 37	\$ 10,090	\$ 48,749	2.32%	52,447	\$ 929
2013	\$ 16,155	\$ 19,108	\$ -	\$ 1,312	\$ -	\$ 7,721	\$ 44,296	2.08%	52,554	\$ 843
2014	\$ 14,685	\$ 19,102	\$ -	\$ 1,018	\$ 182	\$ 7,284	\$ 42,271	1.92%	52,967	\$ 798
2015	\$ 13,225	\$ 19,052	\$ -	\$ 853	\$ 235	\$ 6,834	\$ 40,199	1.73%	53,575	\$ 750
2016	\$ 11,819	\$ 18,954	\$ -	\$ 740	\$ 223	\$ 6,372	\$ 38,108	1.59%	54,749	\$ 696
2017	\$ 10,373	\$ 18,805	\$ -	\$ 627	\$ 154	\$ 5,896	\$ 35,855	1.46%	54,522	\$ 658

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Following dissolution of redevelopment agencies on January 31, 2012, RDA debt is no longer included in the above table.
1 See the Schedule of Demographic Statistics for personal income and population data.

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(amounts in thousands of dollars, except per capita amount)



Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Total Primary Government	Percent of Assessed Value	Population	Debt per Capita	Assessed Value
2008	\$ 25,234	\$ 18,101	\$ 32,540	\$ 75,875	0.885%	52,127	\$ 1,456	\$ 8,570,289
2009	\$ 23,703	\$ 18,079	\$ 31,840	\$ 73,622	0.830%	52,581	\$ 1,400	\$ 8,866,620
2010	\$ 22,067	\$ 18,016	\$ 31,120	\$ 71,203	0.819%	52,919	\$ 1,346	\$ 8,691,120
2011	\$ 19,930	\$ 19,005	\$ 47,380	\$ 86,315	1.009%	53,357	\$ 1,618	\$ 8,552,332
2012	\$ 18,105	\$ 19,074	\$ -	\$ 37,179	0.442%	52,447	\$ 709	\$ 8,404,200
2013	\$ 16,155	\$ 19,108	\$ -	\$ 35,263	0.425%	52,554	\$ 671	\$ 8,289,711
2014	\$ 14,685	\$ 19,102	\$ -	\$ 33,787	0.394%	52,967	\$ 638	\$ 8,571,156
2015	\$ 13,225	\$ 19,052	\$ -	\$ 32,277	0.358%	53,575	\$ 602	\$ 9,015,205
2016	\$ 11,819	\$ 18,954	\$ -	\$ 30,773	0.320%	54,749	\$ 562	\$ 9,620,830
2017	\$ 10,373	\$ 18,805	\$ -	\$ 29,178	0.275%	54,522	\$ 535	\$ 10,592,590

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Novato Finance Division

CITY OF NOVATO, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017

2016-2017 Assessed Valuation : \$10,126,948,620
Redevelopment Incremental Valuation \$1,657,489,017

	Outstanding Debt 6/30/17	% Applicable [a]	City's Estimated Share Of Overlapping Debt
<u>Direct and Overlapping Tax and Assessment Debt</u>			
Marin Community College District	\$313,510,000	14.325%	\$44,910,308
Novato Unified School District	\$121,295,000	84.865%	\$102,937,002
Marin Healthcare District	\$157,385,000	0.0003%	\$472
City of Novato	\$10,372,907	100.000%	\$10,372,907
City of Novato Community Facilities District No. 1	\$12,775,295	100.000%	\$12,775,295
City of Novato Community Facilities District No. 1994-1	\$10,547,342	100.000%	\$10,547,342
City of Novato Community Facilities District No. 2002-1	\$8,955,000	100.000%	\$8,955,000
City of Novato Community Facilities District No. 2014-1	\$315,368	100.000%	\$315,368
City of Novato 1915 Act Bonds	\$565,000	100.000%	\$565,000
Novato Sanitary District Assessment District No. 2000-1	\$830,000	100.000%	\$830,000
Marin County Open Space Assessment Districts	\$251,443	78.129%	\$196,451
Marin Emergency Radio Authority Parcel Tax Obligations	\$33,000,000	14.304%	4,720,320
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$197,125,463
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
Marin County General Fund Obligations	\$90,392,081	14.304%	\$12,929,683
Marin County Pension Obligations	\$95,475,000	14.304%	\$13,656,744
Marin Community College District General Fund Obligations	\$2,420,834	14.325%	\$346,784
City of Novato General Fund Obligations	\$986,678	100.000%	\$986,678 [b]
City of Novato Pension Obligation Bonds	\$18,804,748	100.000%	\$18,804,748
City of Novato Clean Renewable Energy Bonds	\$626,478	100.000%	\$626,478
Novato Fire Protection District General Fund Obligations	\$2,778,594	84.798%	\$2,356,192
Marin County Transit Authority General Fund Obligations	\$111,628	14.304%	\$15,967
DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$49,723,275
 <u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)</u>	 \$41,235,000	 100.000%	 \$41,235,000
 TOTAL DIRECT DEBT			 30,790,811
TOTAL OVERLAPPING DEBT			\$257,292,927
 COMBINED TOTAL DEBT			 \$288,083,738 [c]

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$10,372,907)..... 0.10%
Total Direct and Overlapping Tax and Assessment Debt..... 1.95%

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$30,790,811)..... 0.30%
Combined Total Debt..... 2.84%

Ratios to Redevelopment Incremental Valuation (\$1,657,489,017)

Total Overlapping Tax Increment Debt..... 2.49%

Notes:

[a] The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

[b] Share of Marin Emergency Radio Authority Bonds.

[c] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF NOVATO, CALIFORNIA
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(amounts in thousands of dollars)

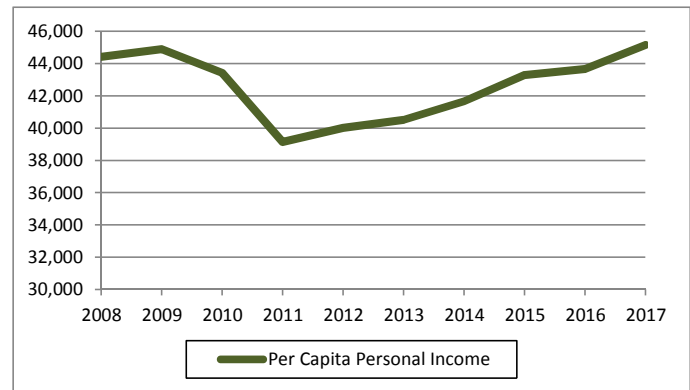
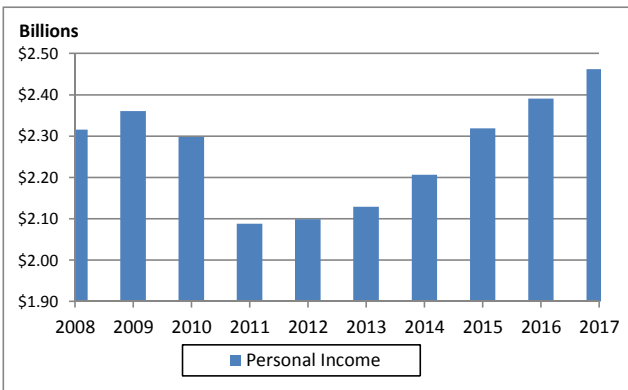
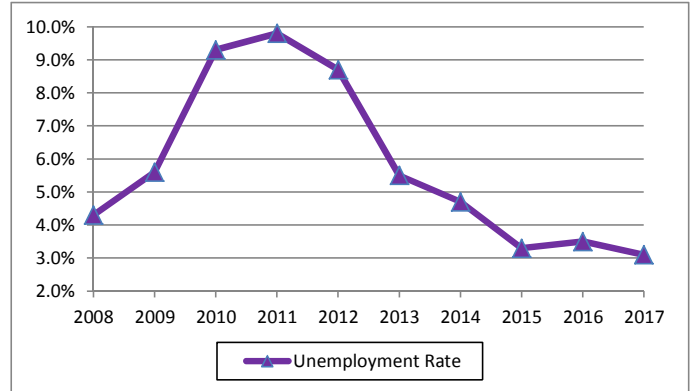
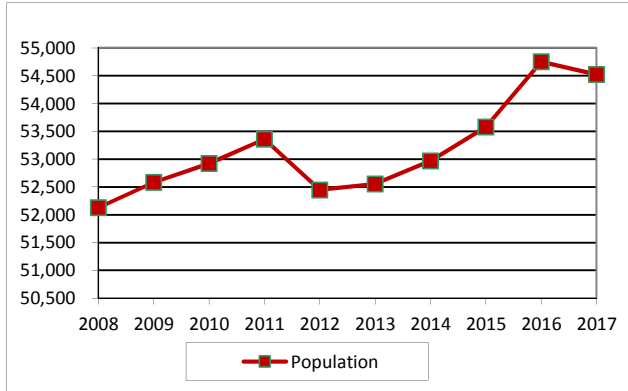
Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 10,592,590
Debt Limit (15%) of total assessed value	1,588,889
Debt applicable to limit:	
General obligation bonds	10,373
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	10,373
Legal debt margin	<u>\$ 1,578,516</u>

Fiscal Year	Total Taxable Assessed Value	Debt Limit Amount	Total net debt applicable to limit	Legal debt margin	Ratio of net debt applicable to legal debt limit
2008	\$ 8,570,289	\$ 1,285,543	\$ 25,234	\$ 1,260,309	2%
2009	\$ 8,866,620	\$ 1,329,993	\$ 23,703	\$ 1,306,290	2%
2010	\$ 8,691,120	\$ 1,303,668	\$ 22,067	\$ 1,281,601	2%
2011	\$ 8,552,332	\$ 1,282,850	\$ 19,930	\$ 1,262,920	2%
2012	\$ 8,404,200	\$ 1,260,630	\$ 18,105	\$ 1,242,525	1%
2013	\$ 8,289,711	\$ 1,243,457	\$ 16,155	\$ 1,227,302	1%
2014	\$ 8,571,156	\$ 1,285,673	\$ 14,685	\$ 1,270,988	1%
2015	\$ 9,015,205	\$ 1,352,281	\$ 13,225	\$ 1,339,056	1%
2016	\$ 9,620,830	\$ 1,443,124	\$ 11,819	\$ 1,431,305	1%
2017	\$ 10,592,590	\$ 1,588,889	\$ 10,373	\$ 1,578,516	1%

Source: City of Novato Finance Division

**CITY OF NOVATO CALIFORNIA
DEMOGRAPHIC AND ECONOMIC INDICATORS
LAST TEN FISCAL YEARS**



Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate	Median Age	School Enrollment	% of pop 25+ w/ H.S. Diploma	% of pop 25+ w/ Bachelor's Degree
2008	52,127	\$ 2,315,661	\$ 44,423	4.3%	not available	8,092	not available	not available
2009	52,581	\$ 2,360,562	\$ 44,894	5.6%	not available	7,891	not available	not available
2010	52,919	\$ 2,297,753	\$ 43,420	9.3%	42.1	8,000	92.7%	41.5%
2011	53,357	\$ 2,088,073	\$ 39,134	9.8%	42.5	8,000	92.1%	41.9%
2012	52,447	\$ 2,098,876	\$ 40,019	8.7%	43.1	8,000	91.2%	42.8%
2013	52,554	\$ 2,128,857	\$ 40,508	5.5%	43.3	8,000	91.1%	42.5%
2014	52,967	\$ 2,206,552	\$ 41,659	4.7%	43.5	8,000	92.2%	44.5%
2015	53,575	\$ 2,318,912	\$ 43,283	3.3%	43.4	7,700	92.3%	43.9%
2016	54,749	\$ 2,390,534	\$ 43,664	3.5%	43.5	7,700	92.3%	44.1%
2017	54,522	\$ 2,462,154	\$ 45,159	3.1%	44.0	7,869	93.3%	44.8%

Source: HdI Companies

**CITY OF NOVATO, CALIFORNIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Total City Employment 28,600

Total City Employment 23,200

FY 2016-17

FY 2008-09

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total</u>
			<u>City</u> <u>Employed</u>				<u>City</u> <u>Employed</u>
BioMarin Pharmaceuticals	875	1	3.06%	Fireman's Fund	968	1	4.17%
Novato Unified School District	850	2	2.97%	Novato Unified School District	829	2	3.57%
2K/Visual Concepts	600	3	2.10%	BioMarin Pharmaceuticals	549	4	2.37%
Novato Community Hospital	321	4	1.12%	ImageMovers Digital	435	5	1.88%
City of Novato	300	5	1.05%	Novato Community Hospital	340	5	1.47%
Costco Wholesale	298	6	1.04%	Target Store	284	6	1.22%
Safeway Stores	275	7	0.96%	Visual Concepts	275	7	1.22%
Bradley Electric	271	8	0.95%	Costco Wholesale	274	8	1.19%
Novato Healthcare Center	223	9	0.78%	Buck Institute	246	9	1.18%
Buck Institute	195	10	0.68%	Safeway Stores	243	10	1.06%

Source: HdI Companies

CITY OF NOVATO, CALIFORNIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government										
Management Services	17.9	17.1	14.8	16.0	15.3	16.1	17.3	22.3	23.3	25.2
Finance	5.6	5.6	5.6	6.0	6.0	6.0	6.0	5.0	5.0	5.0
Planning	11.0	10.9	8.2	5.7	5.7	6.2	7.0	7.0	7.2	7.2
Building	10.8	10.7	9.7	8.2	8.2	8.2	7.0	7.0	8.0	8.0
Police										
Officers	59.0	59.0	59.0	59.0	55.7	61.0	61.0	61.0	61.0	61.0
Civilians	22.6	22.6	19.6	16.6	15.8	15.8	15.8	16.8	18.0	19.5
Public Works										
Engineering	25.6	22.6	19.6	17.3	14.3	13.5	13.5	13.0	13.0	13.0
Maintenance	46.0	47.0	46.0	41.0	39.0	38.0	38.0	39.0	43.5	43.5
Redevelopment	5.9	5.6	5.6	4.7	4.4					
Economic Development						1.5	1.5	2.0	2.0	3.0
Parks and Recreation	28.0	27.5	25.5	19.8	18.1	19.9	19.9	21.0	22.3	23.2
Total	232.3	228.5	213.5	194.2	182.3	186.1	186.9	194.1	203.3	208.5

Note: Regular employees only (excludes part-time employees and volunteers)
Source: City of Novato Annual Budget

**CITY OF NOVATO, CALIFORNIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police:										
Police Calls for Service	21,598	22,573	21,508	20,965	20,931	20,620	17,055	21,316	42,064	44,050 [a]
Law Violations:										
Part I Crimes	1,620	1,542	1,522	1,452	1,263	1,421	1,089	1,243	1,192	1,311
Physical Arrests (Adult and Juvenile)	1,681	1,591	1,483	1,388	1,616	1,908	1,749	1,626	1,711	1,370
Parking Violations	2,113	2,326	1,192	1,445	1,695	1,780	1,466	1,172	1,440	1,077

[a] Calls for service now includes all call type, including officer initiated

Source: City of Novato Police Department

**CITY OF NOVATO, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	19	19	19	19	19	20	20	20	20	20
Public Works										
Miles of Streets	144	150	150	151	151	151	151	152	152	152
Street Lights	3,736	3,893	3,893	3,924	3,924	3,925	3,950	3,950	3,950	3,950
Recreation and Community Services:										
City Parks	38	38	38	38	38	38	39	39	39	40
City Parks Acreage	479	479	479	479	479	479	571	571	571	580
Senior Centers	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Diamonds	3	3	3	3	3	3	3	3	3	3
Soccer Fields	6	6	6	6	6	6	6	6	6	6

Source: City of Novato Finance Division