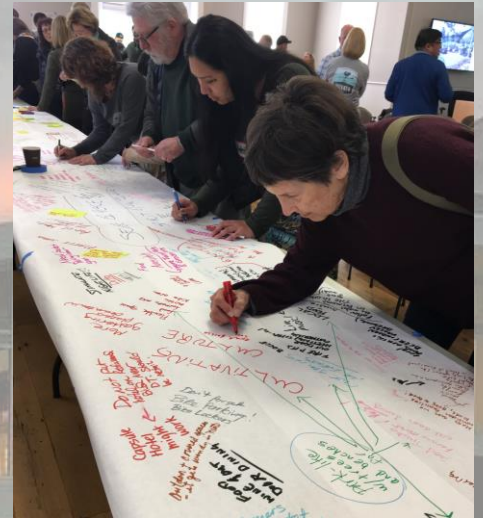
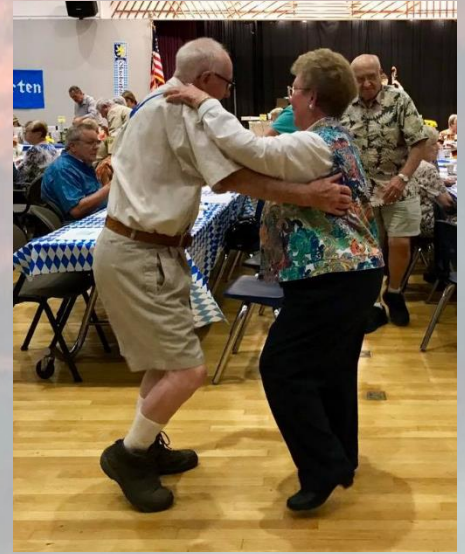


CITY OF NOVATO | CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018



CITY OF NOVATO
CALIFORNIA

PREPARED BY FINANCE DIVISION

CITY OF NOVATO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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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

Eric Lucan

Mayor Pro Tem

Denise Athas

Councilmembers

Pam Drew

Pat Eklund

Josh Fryday

City Manager

Regan M. Candelario

April 30, 2019

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, 2018. The City's independent auditor, Mann Urrutia Nelson CPAs & Associates LLP, has issued an unqualified ("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"). The City's Administration 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.

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 2018 is 263,886, which is an increase of 0.17% from 2017. Novato, which covers 28 square miles, has a population of 54,551, an increase of 0.01% from that of the previous year. 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. By November of 2019 the City will have transitioned from at large elections to a District Elections format. 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 208.67 authorized full-time equivalent employees and delivers municipal services through six (6) departments: Central Administration Department (City Manager, City Clerk, City Attorney, Economic Development, Communications); Administrative Services Department (Finance, Human Resources, Risk Management, Information Technology, and Citywide Programs); Police Department; Community Development Department (Planning, Building, Code Enforcement, and Environmental Sustainability); Public Works (Engineering and Maintenance); and Parks, Recreation and Community Services.

The City's Fire protection services are provided by the Novato Fire Protection District. The City's Refuse, Recycling services and Sewage systems are provided by the Novato Sanitary District; and the City's Water services are provided 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 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 979 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, Sports Basement, 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. For the past few years, the City has posted regular sales tax gains in most categories.

As of June 2018, Marin County had an unemployment rate of 2.7%. 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, 2018 increased 5.2%, benefitting from

the significant year-over-year increases in sales prices as homes change hands. Novato also saw increased retail activity in 2018, which was reflected in higher sales tax and Measure C transactions and use tax revenues. Following a period of leveling off, building and planning services-related fees have shown a renewed vibrancy.

Long-Term Financial Planning / Strategic Plan

The City maintains a five-year general fund forecasting model, updated annually 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.

The long-term financial planning works hand in hand with the City's Strategic Plan. The fiscal year 2017/18 marked the third and final year of the previous Strategic Plan. A new Plan was adopted in January 2019 for fiscal years 2018/19 through 2020/21. The goals established by the Plan, 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 this time period.

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

Accomplishments for FY 2017/18

In FY 2017/18, staff completed numerous exciting projects and programs that will improve the overall quality of life for residents, improve the organization's efficiencies and create and maintain fiscally and environmentally sustainable activities in our community for the future:

- **Multi-modal Transportation Improvements** – The City continues to improve multi-modal transportation. City staff worked collaboratively with Marin Transit to complete the Redwood and Grant Transit Facility. Seven enhanced pedestrian crossings were installed and two sidewalk gaps were closed. The City's annual paving project repaired over 4,000 square feet of sidewalks to eliminate tripping hazards, 44 new accessible curb ramps were

installed and 4.5 miles of roadway (28 street sections) were resurfaced. The Olive Avenue Class II bike lanes from Samrose Avenue to the city limits were established. The City also received a total of \$1.5 million of One Bay Area Grant funding for Phase 2 of the Downtown SMART station project.

- **Emergency Preparedness** – The City maintained a Federal Emergency Management Agency (“FEMA”) Community Rating System rating of 6 to provide 15-20% discounts to residents on annual flood insurance premium rates. Efforts included reviewing projects to ensure that proper storm water management practices were used, and cleaning streets and maintaining creeks in preparation for Novato’s winter storms. The City also performed more vegetation clearance in preparation for wildfire season and is collaborating with the Novato Fire District to implement further measures. Staff participated in area-wide emergency response exercises and refresher training in Emergency Operations Center activation.
- **General Plan** – Involving a process that has been ongoing for several years, the City published its draft General Plan 2035, conducted four months of public outreach at nearly 50 venues and is in the process of completing the Environmental Impact Review and adoption documents. Staff anticipates adoption in 2019.
- **Hamilton Properties** – Building upon the multi-year process of transferring the “lands-to-parks” restrictions from several City-owned properties in Hamilton to an alternative piece of open space property, the City moved forward with a community process for determining the best re-use / re-development options for those parcels. An RFP (Request for Proposals) for the commissary parcel was released in May 2018 with others to follow. Staff analyzed proposals, presented them to the City Council and selected a development partner to move forward with a new community wide beneficial project in FY 18/19.
- **Parks, Recreation and Community Services Programs** – PRCS programs help ensure the overall health and well-being of the Novato community; they provide enrichment, education and skill-based learning opportunities for people of all ages. PRCS provides thousands of program hours each year:
 - Nearly 800 participants participated weekly in over 100 classes at the Gymnastics Center
 - 3,000 adults participated in basketball, softball and volleyball leagues
 - 7,900 hours of indoor & outdoor recreation space was rented to community groups
 - Over 3,400 games were played in youth, teen and adult leagues
 - 14,346 program registrations were processed.

Awards

The City’s CAFR for FY 16/17 was awarded the Government Finance Officers Association’s (“GFOA”) Certificate of Achievement for Excellence in Financial Reporting. The City also received budget awards from the GFOA and the California Society of Municipal Finance Officers

for its budget document for the 2017/18 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.

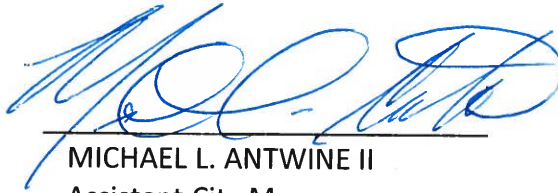
Acknowledgements

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of the staff of the Finance Division of the Administrative Services Department. Credit is shared with the Mayor, City Council members, and the City's Executive 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



MICHAEL L. ANTWINE II
Assistant City Manager



Government Finance Officers Association

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

Presented to

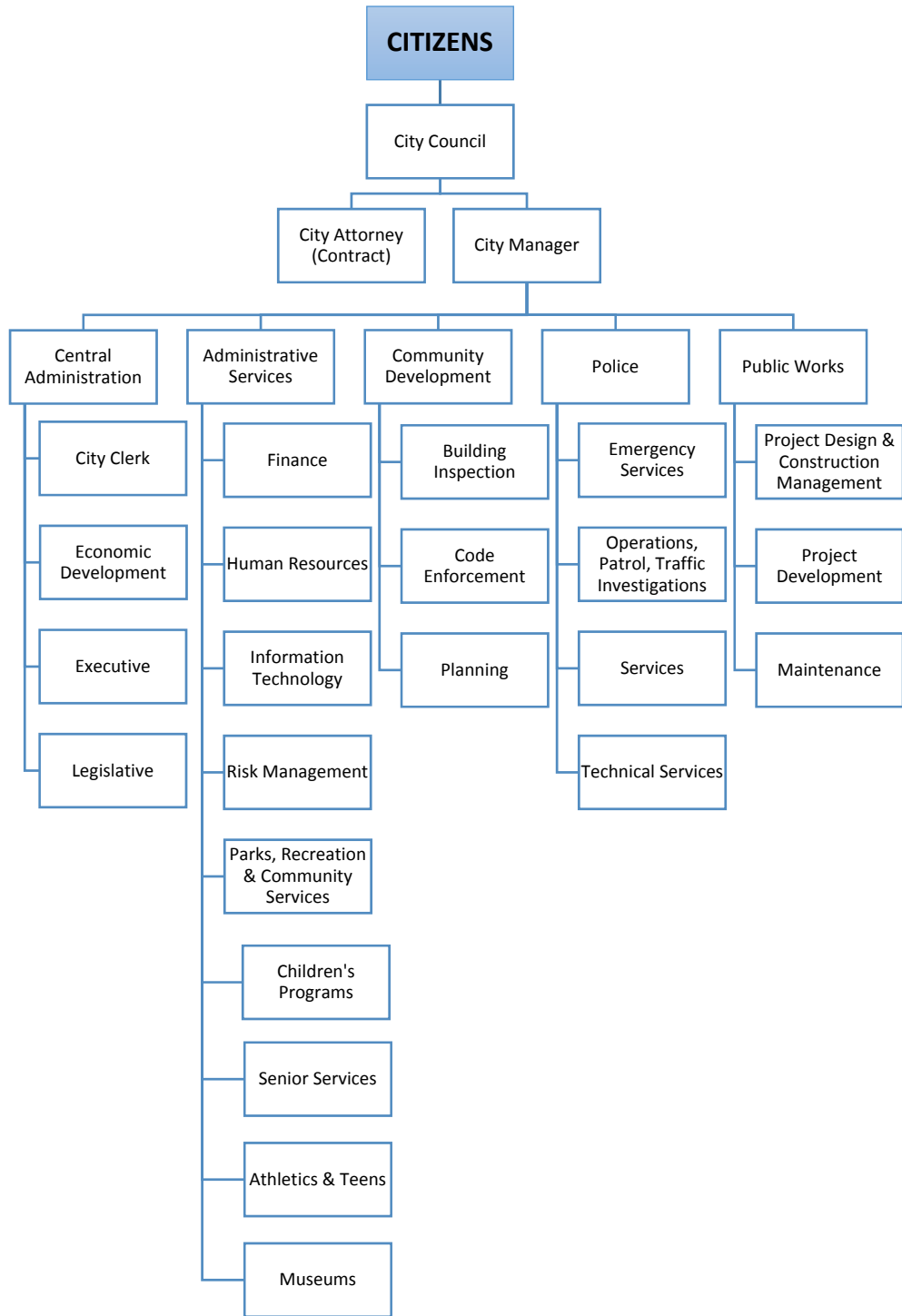
**City of Novato
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



CITY OF NOVATO
ELECTED OFFICIALS
AND
EXECUTIVE STAFF
JUNE 30, 2018

ELECTED OFFICIALS

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

EXECUTIVE MANAGEMENT TEAM

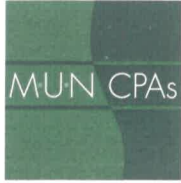
City Manager	Regan Candelario
Assistant City Manager Central Administration	Russell Thompson
Assistant City Manager Administrative Services / Parks, Recreation, and Community Services	Michael Antwine
City Attorney	Walter & Pistole
City Clerk	Terrie Gillen
Police Chief	Adam McGill
Community Development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

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





MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other 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 for the general fund and major special revenue funds, pension related schedules, and other post-employment benefits (OPEB) related schedules 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 April 26, 2019, 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.

Sacramento, California
April 26, 2019

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018 by \$283,351,758. Of this amount, \$255,658,373 is invested in capital assets, net of related debt; \$59,934,712 is restricted for debt service, capital projects, insurance, grants, taxes, and fees; and \$32,241,327 is unrestricted.
- The City's total net position decreased by \$7,614,745, of which \$8,585,086 was attributable to governmental activities and \$970,341 was attributable to business-type activities.
- Government-wide revenues increased by \$2,548,061 or 5% to \$53,629,806 from 2017's total of \$51,081,745.
- Government-wide expenses increased by \$8,479,315 or 19% to \$53,177,438 from 2017 total of \$44,698,123.

Fund level

- Governmental fund balances decreased to \$80,069,798 from the prior year's \$83,265,059.
- Governmental fund revenues increased by \$3,304,803 or 7% to \$48,863,025 from the prior year's \$45,558,222.
- Governmental fund expenditures decreased by \$2,607,793 or 5% to \$46,819,413 from the prior year's \$49,427,206.
- General fund balance decreased from \$28,103,134 to \$25,095,972. This decrease was driven by an extraordinary loss coupled with the implementation of Governmental Accounting Standards Board Statement No. 75.

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, 2018

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, 2018

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, 2018

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, 2018 and 2017
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
ASSETS									
Current and other assets	\$ 91,624	\$ 95,726	\$ (4,102)	\$ 5,357	\$ 4,888	\$ 469	\$ 96,981	\$ 100,614	\$ (3,633)
Capital assets	<u>255,058</u>	<u>257,588</u>	<u>(2,530)</u>	<u>15,490</u>	<u>15,407</u>	<u>83</u>	<u>270,548</u>	<u>272,995</u>	<u>(2,447)</u>
Total Assets	<u>346,682</u>	<u>353,314</u>	<u>(6,632)</u>	<u>20,847</u>	<u>20,295</u>	<u>552</u>	<u>367,529</u>	<u>373,609</u>	<u>(6,080)</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>13,933</u>	<u>10,469</u>	<u>3,464</u>	-	-	-	<u>13,933</u>	<u>10,469</u>	<u>3,464</u>
LIABILITIES									
Long-term liabilities	80,161	73,666	6,495	4,902	5,406	(504)	85,063	79,072	5,991
Other liabilities	<u>8,442</u>	<u>8,901</u>	<u>(459)</u>	<u>660</u>	<u>575</u>	<u>85</u>	<u>9,102</u>	<u>9,476</u>	<u>(374)</u>
Total Liabilities	<u>88,603</u>	<u>82,567</u>	<u>6,036</u>	<u>5,562</u>	<u>5,981</u>	<u>(419)</u>	<u>94,165</u>	<u>88,548</u>	<u>5,617</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,943</u>	<u>4,563</u>	-	-	-	-	<u>3,943</u>	<u>4,563</u>	<u>(620)</u>
NET POSITION									
Net investment in capital assets	245,575	246,398	(823)	10,083	9,510	573	255,658	255,909	(251)
Restricted	54,735	54,491	244	5,200	4,802	398	59,935	59,293	642
Unrestricted	<u>(32,241)</u>	<u>(24,236)</u>	<u>(8,005)</u>	-	-	-	<u>(32,241)</u>	<u>(24,236)</u>	<u>(8,005)</u>
Total Net Position	<u>\$ 268,069</u>	<u>\$ 276,653</u>	<u>\$ (8,584)</u>	<u>\$ 15,283</u>	<u>\$ 14,312</u>	<u>\$ 971</u>	<u>\$ 283,352</u>	<u>\$ 290,966</u>	<u>\$ (7,614)</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 \$283,351,758 at June 30, 2018.

The net position of \$283,351,758 at June 30, 2018 was comprised of the following elements:

- Unrestricted cash and investments of \$58,706,237, cash with fiscal agents of \$70,838, and restricted cash and investments of \$30,123,797;
- Accounts, loans, interest, and taxes receivable of \$7,550,513;
- Prepaid expenses of \$18,964;

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

- Non-current assets consisted of bond issuance costs, other assets and capital assets. Bond issuance costs were \$147,805 and are amortized over the life of the debt. Other assets totaling \$362,100 represent a building held for resale. Capital assets of \$270,547,673, net of accumulated depreciation charges of \$153,770,417, included \$135,398,510 of land, \$7,334,152 of construction in progress, \$38,495,174 of buildings, \$532,439 of furniture and equipment, \$87,270,169 of infrastructure, and \$1,517,229 of vehicles;
- Deferred outflows of resources totaled \$13,932,604 and consisted of pension contributions made subsequent to the measurement date, changes in the net pension liability, and changes in the net OPEB liability;
- Current liabilities totaled \$9,101,806 and included \$1,930,705 of accounts payable, \$651,576 of salaries and benefits payable, \$174,041 of interest payable, \$3,053 of accrued liabilities, \$566,359 of unearned revenue, \$2,234,279 of deposits payable, compensated absences of \$53,507, current claims payable of \$699,758, and long-term debt of \$2,788,528;
- Non-current liabilities of \$85,063,840 included \$1,809,136 of non-current claims payable; \$3,681,000 of Other Post Employment Benefits (OPEB), \$1,383,620 of compensated absences, \$47,489,946 of the net pension liability, and \$30,700,138 of the non-current portion of long-term debt which is due in the fiscal years subsequent to fiscal 2018;
- Deferred inflows of resources of \$3,943,127 consisted of changes in the net pension and net OPEB liabilities;
- Net position invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$255,658,373 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 \$59,934,712 was comprised of \$7,179,233 restricted for debt services; \$14,150,719 restricted for capital projects; \$38,188,677 restricted for taxes and fees; and \$416,083 restricted for grants. The remaining balance of \$32,241,327 represented a deficit 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 deficit in unrestricted net position is also due to the result of implementing GASB 75 in FY2017-18, which increased the measurement of the City's accrued OPEB liability. This most recent change is detailed in Note10 to the financial statements.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Analysis of Changes in Net Position

The City's total net position decreased by \$4,883,908, or 2%, during the fiscal year ended June 30, 2018. Governmental activities revenues increased from the prior year, primarily due to increased taxes and use of money and property. The largest revenue decrease for the City was from one-time capital grants that had been received in the prior fiscal year. Expenses increased by \$2.2 million, mainly in three areas: general government, public safety, and public works. The major factors impacting the increase in expenses were payroll cost increases (\$1.3 million), and insurance premiums and claims (\$575,000). The City also recorded an extraordinary loss of \$5.3 million due to having to unwind previously recorded loans between the former Novato Redevelopment Agency and the City. Activities and changes in net position relating to the \$4,883,908 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, 2018 and 2017
(in thousands)

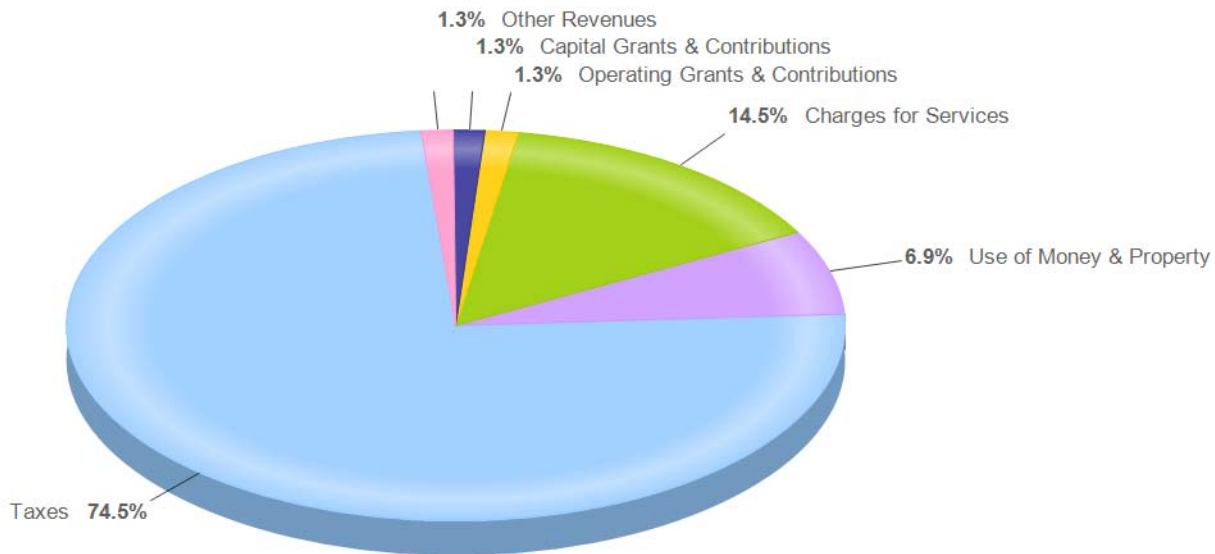
	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
REVENUES:			
Program revenues			
Charges for services	\$ 7,324	\$ 7,439	\$ (115)
Operating grants and contributions	666	662	4
Capital grants and contributions	660	1,623	(963)
General revenues			
Taxes	37,553	35,083	2,470
Use of money and property	3,500	1,942	1,558
Other revenue	<u>672</u>	<u>410</u>	<u>262</u>
Total Revenues	<u>50,375</u>	<u>47,159</u>	<u>3,216</u>
EXPENSES:			
Governmental activities			
General government	11,862	10,621	1,241
Public safety	16,667	15,306	1,361
Public works	14,337	12,594	1,743
Culture and recreation	5,772	7,137	(1,365)
Community development	843	1,451	(608)
Interest on long-term liabilities	<u>1,413</u>	<u>1,599</u>	<u>(186)</u>
Total Expenses	<u>50,894</u>	<u>48,708</u>	<u>2,186</u>
EXTRAORDINARY ITEM:			
Extraordinary loss	<u>(5,336)</u>	<u>-</u>	<u>(5,336)</u>
Change in net position	<u>(5,855)</u>	<u>(1,549)</u>	<u>(4,306)</u>
Net position - beginning of year	276,653	277,905	(1,252)
Restatement	<u>(2,731)</u>	<u>296</u>	<u>(3,027)</u>
Net position - beginning of year, restated	<u>273,922</u>	<u>278,201</u>	<u>(4,279)</u>
Net position - end of year	<u>\$ 268,067</u>	<u>\$ 276,652</u>	<u>\$ (8,585)</u>

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Governmental Activities

The table above reflects a change in net position of \$(5,855), which is the result of expenses in excess of revenues.

Revenues by Source
2018 Governmental Activities

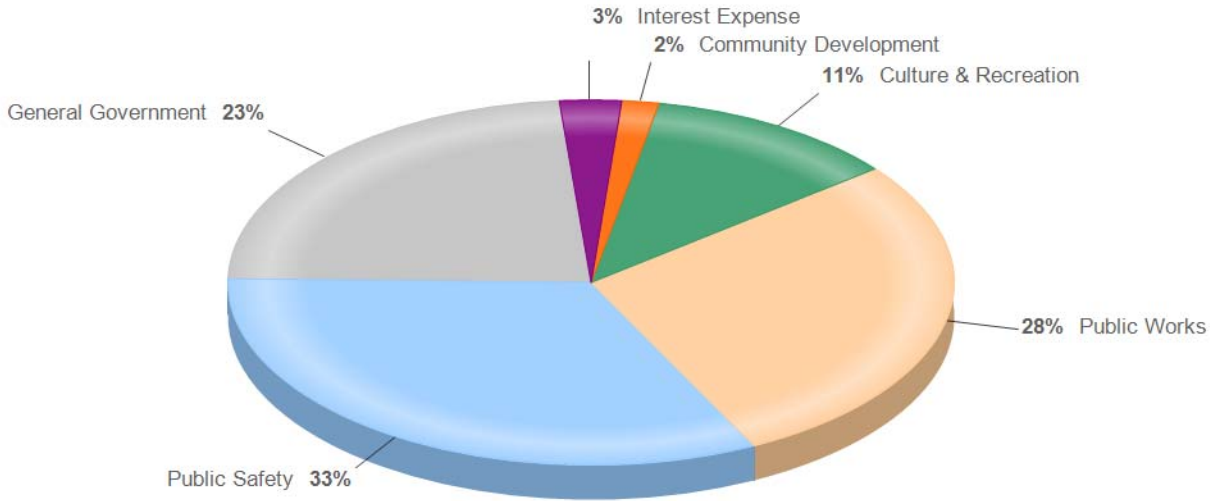


The chart of revenues by source above illustrates that taxes are the largest source of operating revenue for the City. The components of taxes are real estate property taxes, real property transfer tax, sales and use tax, hotel taxes, gas taxes, business license taxes and franchise fees. Charges for 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 increase in revenues of \$3,215,037 or 7% was mainly due to the increases in taxes and use of money and property. Within those areas, sales taxes increased \$1.3 million and gas taxes increased \$425,000. The City also sold property at Hamilton that brought in \$2 million, \$1.5 million higher than the previous year. Higher business license fees and rental income also contributed to the revenue increase.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Expenses by Function
2018 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 \$7,521,291 or 15% increase in expenditures was mostly concentrated in the areas of general government, public safety and public works. The increase was due primarily to the recording of an extraordinary loss related to loans made to the former Redevelopment Agency by various City funds. In addition, the City recorded higher operating costs, insurance claim premiums and settlements.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Business-Type Activities

Business-type Activities Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
REVENUES:			
Charges for services	\$ 3,188	\$ 3,146	\$ 42
Other revenue	10	13	(3)
Interest revenue	57	39	18
Gain on sale of assets	<u>-</u>	<u>142</u>	<u>(142)</u>
Total Revenues	<u>3,255</u>	<u>3,340</u>	<u>(85)</u>
EXPENSES:			
Cost of services	1,564	1,551	13
Employee costs	187	181	6
Depreciation and amortization	373	338	35
Interest expense	<u>161</u>	<u>175</u>	<u>(14)</u>
Total Expenses	<u>2,285</u>	<u>2,245</u>	<u>40</u>
Change in net position	970	1,095	(125)
Net position - beginning of year	<u>14,313</u>	<u>13,218</u>	<u>1,095</u>
Net position - end of year	<u>\$ 15,283</u>	<u>\$ 14,313</u>	<u>\$ 970</u>

Business-type activities net position increased \$970,341 or 7%, 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 \$80,069,798, compared to \$83,265,059 at June 30, 2017. The main factors impacting fund balances were from the extraordinary loss related to the unwinding of loans to the former Redevelopment Agency.

Of the total fund balance, \$1,244,447 is unassigned. The remainder of the fund balance of \$78,825,351, is either nonspendable, restricted, or assigned for specific purposes.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$25,095,972, of which \$1,965,189 was nonspendable; \$40,817 was restricted for successor agency administration; \$19,188,751 was assigned for capital projects, pension reserve, insurance, long-term maintenance, and emergency disaster & response; and \$3,901,215 was unassigned. The fund balance in the City's General Fund decreased by \$3,007,162 for the fiscal year ended June 30, 2018. The decrease in fund balance is primarily due to the extraordinary loss related to loans to the former Redevelopment Agency, although this was partially offset by an increase related to city owned property following the sales of a parcel of land in the Hamilton area for \$2 million.

The Affordable Housing fund had a total fund balance of \$2,807,377, which was restricted for affordable housing purposes. Fund balance increased by \$66,850 due to an increase in investment earnings and in lieu fees.

The Capital Improvement Projects fund reported a deficit of \$384,782, a decrease of \$98,322 from the previous year.

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 \$11,919,357, which was restricted for capital projects. Fund balance increased by \$147,477, due to delays in capital projects for which this fund was the main funding source.

The Novato Public Financing Authority had a total fund deficit of \$1,975,672. Fund balance decreased by \$822,026 due to an extraordinary loss recorded on a loan that had been made to the former Redevelopment Agency.

The Hamilton Trust Fund had a total fund balance of \$32,164,669 which was restricted. Fund balance decreased by \$268,851 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, 2018 and 2017
(in thousands)

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Revenues by Source:				
Taxes	\$ 38,028	78 %	\$ 35,083	77 %
Licenses and permits	1,309	3 %	1,323	3 %
Intergovernmental	907	2 %	2,286	5 %
Fines and forfeitures	601	1 %	610	1 %
Use of money and property	1,423	3 %	1,251	3 %
Charges for services	3,980	8 %	4,096	9 %
Other revenues	2,616	5 %	910	2 %
Issuance of lease proceeds	-	-	17	-
	<u>\$ 48,864</u>	<u>100 %</u>	<u>\$ 45,576</u>	<u>100 %</u>

For this fiscal year, governmental revenues increased \$3,287,841 or 7%. The majority of the increase was due to increased sales tax and gas tax revenues. Revenues that saw a decline were in intergovernmental revenues related to grants that had been reimbursed to the City in the prior year for capital infrastructure projects and a small decline in fees from charges for services, related to decreased development activity.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 and 2017
(in thousands)

	2018		2017	
	Amount	% of Total	Amount	% of Total
Expenditures by Function				
General government	\$ 8,587	19 %	\$ 7,702	17 %
Public safety	15,617	33 %	14,560	28 %
Public works	8,161	17 %	8,036	16 %
Culture & recreation	5,658	12 %	5,856	12 %
Community development	738	2 %	1,272	3 %
Capital outlay	4,727	10 %	8,595	17 %
Debt service: principal	2,237	5 %	2,107	4 %
Debt service: interest	1,094	2 %	1,282	3 %
Bond issuance costs	-	-	17	-
	<u>\$ 46,819</u>	<u>100 %</u>	<u>\$ 49,427</u>	<u>100 %</u>

Expenditures decreased by \$2,607,793 or 5% during the year ended June 30, 2018. Capital outlay decreased by nearly \$4 million, mainly due to lower costs related to ongoing capital improvement projects and the purchase of property in the prior year. This decrease was partially offset by modest increases in operating costs associated with general government, public safety, and public works.

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, 2018, were \$3,415,284. Net position decreased by \$666,799 during fiscal 2018.

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

General Fund Budget Modifications

The original fiscal year 2017-18 budget was adopted in June 2017. 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 \$37,460 and increase estimated expenditures by \$881,833. The net impact of the budget changes was to reduce the budgeted change in fund balance by \$844,373.

General Fund Operating Variances

The revised budget projected a net decrease in fund balance of \$8,790,690 and the actual results were a net decrease of \$3,007,162, which equates to a positive variance of \$5,783,528.

The variance in revenues is partly attributable to revenues being higher than the revised budget by \$1,384,678. This is primarily due to increased tax revenues.

Expenditures were \$7,075,374 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, 2018 totaled \$270,547,673 (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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 123,559	\$ 123,559	\$ 11,840	\$ 11,840	\$ 135,399	\$ 135,399
Construction in progress	7,334	9,388	-	-	7,334	9,388
Buildings & improvements	34,983	35,409	3,512	3,518	38,495	38,927
Furniture & equipment	394	630	138	49	532	679
Infrastructure	87,270	87,115	-	-	87,270	87,115
Vehicles	<u>1,517</u>	<u>1,488</u>	<u>-</u>	<u>-</u>	<u>1,517</u>	<u>1,488</u>
Total	\$ <u>255,057</u>	\$ <u>257,589</u>	\$ <u>15,490</u>	\$ <u>15,407</u>	\$ <u>270,547</u>	\$ <u>272,996</u>

CITY OF NOVATO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Governmental Activities Long-term Debt

At June 30, 2018, 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, 2018</u>
<u>Governmental Activities</u>		
General obligation bonds: Series 2007	2027	\$ 2,995,000
Pension obligation bonds, A-1 & A-2	2035	18,599,366
2013 General obligation refunding bonds	2025	<u>5,879,967</u>
Bond issuance premiums (discounts) Series 2007 premium		118,028
Pension obligation bonds discount		(86,298)
Clean Renewable Energy Bonds (CREBS)	2024	513,163
Capital leases	2020	<u>63,231</u>
Compensated absences		<u>1,437,127</u>
Total governmental activities		<u>\$ 29,519,584</u>
<u>Business-type Activities</u>		
Senior Promissory Note	2028	<u>\$ 5,406,209</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 FY 2017/18, the national, state and local economies remained strong. The City's retail sales increased from the previous year, mainly in the Building & Construction and Business & Industry sectors, and are now higher than prerecession levels. Novato's unemployment rate decreased slightly to 2.7%, 0.4% lower than the previous year and equal to the Marin County rate. Assessed property values in the City increased 5.3% during the fiscal year, although this was slightly lower than the prior year's 5.5%. The growth level is continuing into FY 2018/19, with an increase projected of more than 5%.

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, 2018

Fiscal Year 2018-19 Budget

The FY 2018/19 adopted budget reflects investments in core city services that the community values, including public safety; committing the funds necessary to maintain our infrastructure, parks and facilities; and fostering economic development. This budget also reflects the final 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.

City-wide expenditures are anticipated to be significantly higher than revenues for the FY 2018/19 year, mainly due to ongoing large capital projects. The adopted FY 2018/19 operating budget for the year was balanced.

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 taking place in the City. Improvement in the housing and construction markets, as well as increased participation in the City's recreation programs has seen these revenues increase in recent years. This trend is expected to continue, although the City's cost for providing these and other services is expected to increase at a greater rate than the rate at which the revenues increase. This will put added pressure on the City to consider additional revenue opportunities. 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.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 53,349,552	\$ 5,356,685	\$ 58,706,237
Cash with fiscal agent (Note 2)	70,838	-	70,838
Accounts receivable	1,383,649	-	1,383,649
Loans receivable (Note 3)	2,855,914	-	2,855,914
Interest receivable	442,191	-	442,191
Taxes receivable	2,868,759	-	2,868,759
Prepaid expenses	18,964	-	18,964
Restricted cash and cash equivalents (Note 2)	30,123,797	-	30,123,797
Bond issuance costs, net (Note 6)	147,805	-	147,805
Other assets	362,100	-	362,100
Capital assets (Note 5)			
Land and construction in progress	130,892,662	11,840,000	142,732,662
Other capital assets, net of depreciation	<u>124,165,186</u>	<u>3,649,825</u>	<u>127,815,011</u>
Total capital assets	<u>255,057,848</u>	<u>15,489,825</u>	<u>270,547,673</u>
Total Assets	<u>346,681,417</u>	<u>20,846,510</u>	<u>367,527,927</u>
Deferred Outflows of Resources			
2018 Pension contributions (Note 9)	3,852,561	-	3,852,561
Changes in the net pension liability (Note 9)	9,556,043	-	9,556,043
Changes in the net OPEB liability (Note 10)	<u>524,000</u>	<u>-</u>	<u>524,000</u>
Total Deferred Outflows of Resources	<u>13,932,604</u>	<u>-</u>	<u>13,932,604</u>
LIABILITIES			
Accounts payable	1,796,114	134,591	1,930,705
Accrued payroll and benefits	651,576	-	651,576
Accrued liabilities	3,053	-	3,053
Accrued interest payable	174,041	-	174,041
Unearned revenue	544,569	21,790	566,359
Deposits payable	2,234,179	100	2,234,279
Other postemployment benefits (Note 10)			
Due in more than one year	3,681,000	-	3,681,000
Net pension liability (Note 9)			
Due in more than one year	47,489,946	-	47,489,946
Claims payable (Note 11)			
Due within one year	699,758	-	699,758
Due in more than one year	1,809,136	-	1,809,136
Accrued compensated absences (Note 6)			
Due within one year	53,507	-	53,507
Due in more than one year	1,383,620	-	1,383,620
Long-term liabilities (Note 6)			
Due within one year	2,284,789	503,739	2,788,528
Due in more than one year	<u>25,797,668</u>	<u>4,902,470</u>	<u>30,700,138</u>
Total Liabilities	<u>88,602,956</u>	<u>5,562,690</u>	<u>94,165,646</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in the net pension liability (Note 9)	3,913,127	-	3,913,127
Changes in the net OPEB liability (Note 10)	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total Deferred Inflows of Resources	<u>3,943,127</u>	<u>-</u>	<u>3,943,127</u>
NET POSITION			
Net investment in capital assets	245,574,757	10,083,616	255,658,373
Restricted for:			
Debt service	1,979,029	5,200,204	7,179,233
Capital projects	14,150,719	-	14,150,719
Taxes and fees	38,188,677	-	38,188,677
Grants	416,083	-	416,083
Unrestricted	<u>(32,241,327)</u>	<u>-</u>	<u>(32,241,327)</u>
Total Net Position	<u>\$ 268,067,938</u>	<u>\$ 15,283,820</u>	<u>\$ 283,351,758</u>

See accompanying notes to the basic financial statements.

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

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	\$ 11,862,437	\$ 2,205,423	\$ 68,506	\$ -	\$ (9,588,508)	\$ -	\$ (9,588,508)
Public safety	16,666,679	523,718	553,216	474,244	(15,115,501)	-	(15,115,501)
Public works	14,336,553	242,472	-	185,449	(13,908,632)	-	(13,908,632)
Culture and recreation	5,771,680	2,150,966	2,026	-	(3,618,688)	-	(3,618,688)
Community development	842,518	2,200,923	42,258	-	1,400,663	-	1,400,663
Interest and fiscal charges	<u>1,412,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,412,666)</u>	<u>-</u>	<u>(1,412,666)</u>
Total governmental activities	<u>50,892,533</u>	<u>7,323,502</u>	<u>666,006</u>	<u>659,693</u>	<u>(42,243,332)</u>	<u>-</u>	<u>(42,243,332)</u>
Business-type activities:							
Marin Valley Mobile Country Club	<u>2,284,905</u>	<u>3,187,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>902,801</u>	<u>902,801</u>
Total primary government	<u>\$ 53,177,438</u>	<u>\$ 10,511,208</u>	<u>\$ 666,006</u>	<u>\$ 659,693</u>	<u>\$ (42,243,332)</u>	<u>\$ 902,801</u>	<u>\$ (41,340,531)</u>
General revenues:							
Property taxes					\$ 17,633,246	\$ -	\$ 17,633,246
Sales and use taxes					13,630,668	-	13,630,668
Motor vehicle and gas taxes					1,517,254	-	1,517,254
Other taxes					4,772,114	-	4,772,114
Use of money and property					3,500,492	57,106	3,557,598
Other revenue					<u>671,585</u>	<u>10,434</u>	<u>682,019</u>
Total general revenues					<u>41,725,359</u>	<u>67,540</u>	<u>41,792,899</u>
Extraordinary item - (Note 15)					<u>(5,336,276)</u>	<u>-</u>	<u>(5,336,276)</u>
Change in net position					<u>(5,854,249)</u>	<u>970,341</u>	<u>(4,883,908)</u>
Net position - July 1, 2017					276,653,024	14,313,479	290,966,503
Prior period restatement (Note 14)					<u>(2,730,837)</u>	<u>-</u>	<u>(2,730,837)</u>
Net position - July 1, 2017, restated					<u>273,922,187</u>	<u>14,313,479</u>	<u>288,235,666</u>
Net position - June 30, 2018					<u>\$ 268,067,938</u>	<u>\$ 15,283,820</u>	<u>\$ 283,351,758</u>

See accompanying notes to the basic financial statements.

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

	General Fund	Affordable Housing Program	Capital Improvement Projects	Restricted Revenue	Development Impact Fee
<u>ASSETS</u>					
Cash and investments	\$ 22,575,165	\$ 945,277	\$ -	\$ 1,772,004	\$ 11,919,357
Cash with fiscal agent	-	-	-	-	-
Restricted cash and investments	256,296	-	-	-	-
Accounts receivable	748,520	-	-	-	-
Notes receivable	9,670	2,846,244	-	-	-
Interest receivable	268,664	-	-	-	-
Taxes receivable	2,790,398	-	-	-	-
Due from other funds	1,019,565	-	-	-	-
Advances to other funds	620,000	-	-	-	-
Prepaid items	18,964	-	-	-	-
Other assets	-	362,100	-	-	-
	<u>\$ 28,307,242</u>	<u>\$ 4,153,621</u>	<u>\$ -</u>	<u>\$ 1,772,004</u>	<u>\$ 11,919,357</u>
Total Assets					
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES					
Accounts payable	\$ 1,434,275	\$ -	\$ 246,280	\$ -	\$ -
Accrued payroll and benefits	651,576	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	138,502	-	-
Deposits and other payables	462,175	-	-	1,772,004	-
Unearned revenues	438,926	-	-	-	-
Advances from other funds	224,318	-	-	-	-
	<u>3,211,270</u>	<u>-</u>	<u>384,782</u>	<u>1,772,004</u>	<u>-</u>
Total Liabilities					
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenues - housing loans	-	1,346,244	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	1,965,189	-	-	-	-
Restricted	40,817	2,807,377	-	-	11,919,357
Assigned	19,188,751	-	-	-	-
Unassigned	3,901,215	-	(384,782)	-	-
	<u>25,095,972</u>	<u>2,807,377</u>	<u>(384,782)</u>	<u>-</u>	<u>11,919,357</u>
Total Fund Balances (Deficits)					
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,307,242</u>	<u>\$ 4,153,621</u>	<u>\$ -</u>	<u>\$ 1,772,004</u>	<u>\$ 11,919,357</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<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	\$ 117,675	\$ -	\$ 10,567,517	\$ 47,896,995
Cash with fiscal agent	30,838	-	40,000	70,838
Restricted cash and investments	-	29,867,501	-	30,123,797
Accounts receivable	-	-	628,276	1,376,796
Notes receivable	-	-	-	2,855,914
Interest receivable	-	173,508	19	442,191
Taxes receivable	-	-	78,361	2,868,759
Due from other funds	-	-	-	1,019,565
Advances to other funds	-	2,123,660	-	2,743,660
Prepaid items	-	-	-	18,964
Other assets	-	-	-	362,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 148,513</u>	<u>\$ 32,164,669</u>	<u>\$ 11,314,173</u>	<u>\$ 89,779,579</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</u>				
LIABILITIES				
Accounts payable	\$ 525	\$ -	\$ 64,404	\$ 1,745,484
Accrued payroll and benefits	-	-	-	651,576
Accrued liabilities	-	-	3,053	3,053
Due to other funds	-	-	78,196	216,698
Deposits and other payables	-	-	-	2,234,179
Unearned revenues	-	-	105,643	544,569
Advances from other funds	<u>2,123,660</u>	<u>-</u>	<u>620,000</u>	<u>2,967,978</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,124,185</u>	<u>-</u>	<u>871,296</u>	<u>8,363,537</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenues - housing loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346,244</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	1,965,189
Restricted	-	32,164,669	10,650,482	57,582,702
Assigned	-	-	88,709	19,277,460
Unassigned	<u>(1,975,672)</u>	<u>-</u>	<u>(296,314)</u>	<u>1,244,447</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>(1,975,672)</u>	<u>32,164,669</u>	<u>10,442,877</u>	<u>80,069,798</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	<u>\$ 148,513</u>	<u>\$ 32,164,669</u>	<u>\$ 11,314,173</u>	<u>\$ 89,779,579</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, 2018

Total fund balances of governmental funds	\$ 80,069,798
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 \$145,247,082.	253,540,619
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.	1,346,244
Deferred outflows of resources related to 2018 pension contributions were made subsequent to the measurement date.	3,806,889
Deferred outflows of resources related to changes in the net pension liability are not applicable to the current period.	9,463,604
Deferred outflows of resources related to changes in the net OPEB liability are not applicable to the current period.	524,000
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	(28,082,457)
Compensated absences	(1,437,127)
Net OPEB obligation	(3,681,000)
Net pension liability	(46,952,609)
Deferred inflows related to changes in the net pension liability	(3,889,071)
Deferred inflows related to changes in the net OPEB liability	(30,000)
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.	147,805
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(174,041)
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>3,415,284</u>
Net position of governmental activities	<u>\$ 268,067,938</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, 2018

	<u>General Fund</u>	<u>Affordable Housing Program</u>	<u>Capital Improvement Projects</u>	<u>Restricted Revenue</u>	<u>Development Impact Fee</u>
<u>REVENUES</u>					
Taxes	\$ 31,868,141	\$ -	\$ -	\$ -	\$ -
License and permits	1,308,759	-	-	-	-
Intergovernmental	411,034	-	-	-	-
Fines and forfeitures	600,693	-	-	-	-
Use of money and property	436,596	38,238	-	-	129,433
Charges for services	3,215,415	114,609	-	296,863	104,367
Other revenues	<u>2,223,351</u>	<u>8,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>40,063,989</u>	<u>161,715</u>	<u>-</u>	<u>296,863</u>	<u>233,800</u>
<u>EXPENDITURES</u>					
Current:					
General government	8,169,335	-	-	-	-
Public safety	15,150,219	-	-	-	-
Public works	6,940,628	-	-	-	-
Cultural and recreation	5,415,895	-	-	-	-
Community development	553,128	136,098	-	-	-
Capital outlay	-	-	4,726,855	-	-
Debt service:					
Principal	203,826	-	-	-	-
Interest and fiscal charges	<u>7,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>36,440,445</u>	<u>136,098</u>	<u>4,726,855</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,623,544</u>	<u>25,617</u>	<u>(4,726,855)</u>	<u>296,863</u>	<u>233,800</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	1,168,690	41,957	4,825,177	-	931,637
Transfers out	<u>(5,314,117)</u>	<u>(724)</u>	<u>-</u>	<u>(296,863)</u>	<u>(86,323)</u>
Total Other Financing Sources (Uses)	<u>(4,145,427)</u>	<u>41,233</u>	<u>4,825,177</u>	<u>(296,863)</u>	<u>845,314</u>
<u>EXTRAORDINARY ITEMS</u>					
Extraordinary loss (Note 15)	<u>(2,485,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(931,637)</u>
Net Change in Fund Balances	(3,007,162)	66,850	98,322	-	147,477
Fund Balances (Deficits) - July 1, 2017	<u>28,103,134</u>	<u>2,740,527</u>	<u>(483,104)</u>	<u>-</u>	<u>11,771,880</u>
Fund Balances (Deficits) - June 30, 2018	<u>\$ 25,095,972</u>	<u>\$ 2,807,377</u>	<u>\$ (384,782)</u>	<u>\$ -</u>	<u>\$ 11,919,357</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, 2018

	Novato Public Financing Authority	Permanent Fund- Hamilton Trust Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ 6,159,385	\$ 38,027,526
License and permits	-	-	-	1,308,759
Intergovernmental	-	-	496,066	907,100
Fines and forfeitures	-	-	-	600,693
Use of money and property	200,836	53,840	563,860	1,422,803
Charges for services	-	-	248,427	3,979,681
Other revenues	-	-	384,244	2,616,463
Total Revenues	<u>200,836</u>	<u>53,840</u>	<u>7,851,982</u>	<u>48,863,025</u>
<u>EXPENDITURES</u>				
Current:				
General government	134,983	-	282,475	8,586,793
Public safety	-	-	466,833	15,617,052
Public works	-	-	1,220,043	8,160,671
Cultural and recreation	-	-	242,288	5,658,183
Community development	-	28,923	20,385	738,534
Capital outlay	-	-	-	4,726,855
Debt service:				
Principal	-	-	2,032,940	2,236,766
Interest and fiscal charges	-	-	1,087,145	1,094,559
Total Expenditures	<u>134,983</u>	<u>28,923</u>	<u>5,352,109</u>	<u>46,819,413</u>
Excess (Deficiency) of Revenues over Expenditures	<u>65,853</u>	<u>24,917</u>	<u>2,499,873</u>	<u>2,043,612</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	1,626,513	8,593,974
Transfers out	<u>(240,518)</u>	<u>(293,768)</u>	<u>(2,843,356)</u>	<u>(9,075,669)</u>
Total Other Financing Sources (Uses)	<u>(240,518)</u>	<u>(293,768)</u>	<u>(1,216,843)</u>	<u>(481,695)</u>
<u>EXTRAORDINARY ITEMS</u>				
Extraordinary loss (Note 15)	<u>(647,361)</u>	<u>-</u>	<u>(692,901)</u>	<u>(4,757,178)</u>
Net Change in Fund Balances	(822,026)	(268,851)	590,129	(3,195,261)
Fund Balances (Deficits) - July 1, 2017	<u>(1,153,646)</u>	<u>32,433,520</u>	<u>9,852,748</u>	<u>83,265,059</u>
Fund Balances (Deficits) - June 30, 2018	<u>\$ (1,975,672)</u>	<u>\$ 32,164,669</u>	<u>\$ 10,442,877</u>	<u>\$ 80,069,798</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, 2018

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	\$ (3,195,261)
<p>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.</p>	
Capital asset purchases	3,769,546
Depreciation expense	(6,114,700)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Debt principal payments	2,236,767
Issuance of debt and accreted interest	(329,618)
Net accretion on bond premiums/discounts	5,087
<p>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.</p>	
	(71,534)
<p>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.</p>	
Amortization of bond insurance costs	(13,637)
<p>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.</p>	
Loan program receipts	(27,486)
Accrued interest	45,120
<p>Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.</p>	
	20,060
<p>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.</p>	
Pension expense related to deferred outflows and inflows of resources	(1,602,794)
OPEB expense related to deferred outflows and inflows of resources	91,000
<p>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.</p>	
	<u>(666,799)</u>
Change in net position of governmental activities	<u>\$ (5,854,249)</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Marin Valley Mobile Country Club	Internal Service Funds
<u>ASSETS</u>		
Current Assets		
Cash and investments	\$ 5,356,685	\$ 5,452,557
Accounts receivable, net	-	6,853
Total Current Assets	5,356,685	5,459,410
Non Current Assets		
Advances to other funds	-	224,318
Capital assets, net of accumulated depreciation	15,489,825	1,517,229
Total Non-Current Assets	15,489,825	1,741,547
Total Assets	20,846,510	7,200,957
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
2018 pension contributions	-	45,672
Changes in the net pension liability	-	92,439
Total Deferred Outflows of Resources	-	138,111
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	134,591	50,630
Due to other funds	-	802,867
Deposits	100	-
Unearned revenue	21,790	-
Long-term liabilities - current portion	503,739	-
Claims payable - current portion	-	699,758
Total Current Liabilities	660,220	1,553,255
Non-Current Liabilities		
Long-term liabilities - net of current portion	4,902,470	-
Net pension liability	-	537,337
Claims payable - net of current portion	-	1,809,136
Total Non-Current Liabilities	4,902,470	2,346,473
Total Liabilities	5,562,690	3,899,728
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Changes in the net pension liability	-	24,056
<u>NET POSITION:</u>		
Net investment in capital assets	10,083,616	1,517,229
Restricted for capital projects (expendable)	5,200,204	-
Unrestricted	-	1,898,055
Total Net Position	\$ 15,283,820	\$ 3,415,284

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, 2018

	<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	\$ 2,411,864	\$ 1,434,369
Utilities	775,842	-
Other revenue	<u>10,434</u>	<u>-</u>
Total Operating Revenue	<u>3,198,140</u>	<u>1,434,369</u>
<u>OPERATING EXPENSES</u>		
Cost of services	1,563,534	1,601,779
Employee costs	187,259	-
Depreciation and amortization	<u>372,619</u>	<u>479,152</u>
Total Operating Expenses	<u>2,123,412</u>	<u>2,080,931</u>
Operating Income (Loss)	<u>1,074,728</u>	<u>(646,562)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	57,106	77,166
Interest expense	<u>(161,493)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(104,387)</u>	<u>77,166</u>
Income (Loss) Before Transfers	<u>970,341</u>	<u>(569,396)</u>
<u>TRANSFERS</u>		
Transfers in	-	498,031
Transfers out	<u>-</u>	<u>(16,336)</u>
Total Transfers	<u>-</u>	<u>481,695</u>
<u>EXTRAORDINARY ITEMS</u>		
Extraordinary loss (Note 15)	<u>-</u>	<u>(579,098)</u>
Total Extraordinary Items	<u>-</u>	<u>(579,098)</u>
Change in net position	970,341	(666,799)
Net Position - July 1, 2017	<u>14,313,479</u>	<u>4,082,083</u>
Net Position - June 30, 2018	<u>\$ 15,283,820</u>	<u>\$ 3,415,284</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Marin Valley Mobile Country Club	Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 3,219,870	\$ 1,428,768
Cash paid to suppliers	(1,514,303)	(1,224,891)
Cash paid to employees	(187,259)	-
Net Cash Provided by Operating Activities	1,518,308	203,877
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Interfund payments	-	17,001
Transfers from other funds	-	495,150
Transfers to other funds	-	(13,456)
Net Cash Provided by Non-Capital Financing Activities	-	498,695
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition of capital assets	(455,137)	(508,180)
Principal paid on long-term debt	(489,679)	-
Interest paid on long-term debt	(161,493)	-
Net Cash Used for Capital and Related Financing Activities	(1,106,309)	(508,180)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	57,106	77,166
Net Cash Provided by Investing Activities	57,106	77,166
Net Increase in Cash and Cash Equivalents	469,105	271,558
Cash and Cash Equivalents - July 1, 2017	4,887,580	5,180,999
Cash and Cash Equivalents - June 30, 2018	\$ 5,356,685	\$ 5,452,557
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	1,074,728	(646,562)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	372,619	479,152
Pension expense	-	40,041
Changes in assets and liabilities:		
Increase in accounts receivable	-	(1,698)
Increase in accounts payable	49,231	24,998
Increase (decrease) in unearned revenue	21,730	(3,904)
Increase in claims payable	-	311,850
Net Cash Provided by Operating Activities	\$ 1,518,308	\$ 203,877

See accompanying notes to the basic financial statements.

CITY OF NOVATO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Redevelopment Obligation Retirement Fund	Agency Funds
<u>ASSETS</u>		
Cash and investments (Note 2)	\$ 1,023,291	\$ 4,905,024
Cash with fiscal agent (Note 2)	3,923,751	1,503,006
Other assets, net	-	33,432
Prepaid expenses	339,467	-
Deferred costs, net	<u>972,544</u>	<u>-</u>
Total Assets	\$ <u>6,259,053</u>	\$ <u>6,441,462</u>
<u>LIABILITIES</u>		
Accounts payable and other liabilities	\$ -	\$ 5,850
Loans due to City	-	296,990
Deposits held in trust	15,041	6,138,622
Interest payable	721,247	-
Long-term liabilities	<u>42,309,058</u>	<u>-</u>
Total Liabilities	\$ <u>43,045,346</u>	\$ <u>6,441,462</u>
<u>NET POSITION</u>		
Held in trust for private purposes	<u>\$ (36,786,293)</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, 2018

	Redevelopment Obligation Retirement Fund
<u>ADDITIONS</u>	
Property taxes	\$ 3,768,582
Interest income	<u>26,715</u>
Total Additions	<u>3,795,297</u>
<u>DEDUCTIONS</u>	
Contract services	208,267
Amortization	51,894
Interest expense	<u>2,351,133</u>
Total Deductions	<u>2,611,294</u>
Extraordinary gain (Note 15)	<u>5,336,276</u>
Change in Fiduciary Net Position	6,520,279
Fiduciary Net Position - July 1, 2017	<u>(43,306,572)</u>
Fiduciary Net Position - June 30, 2018	<u><u>\$ (36,786,293)</u></u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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.

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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

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 eight agency funds, of which six are used to receive assessments levied through property taxes and to pay debt service for 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, 2018

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 February 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.

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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

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, 2018. 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, 2018.

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, 2018

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. Other Postemployment Benefits (OPEB)

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

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

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

M. 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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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."

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.

O. 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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. 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.

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2017, the City implemented the following accounting and financial reporting standards:

Governmental 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 expenses/expenditures related to OPEB. See notes 10 and 14 for the prior period restatement recorded as a result of implementing this standard.

Governmental Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)).

Governmental Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, this Statement amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. There was no significant financial impact to the City as a result of implementation.

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2018 or later. The City has not determined the effects on the financial statements.

Governmental 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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. 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.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement (1) increases the usefulness of governments' financial statements by requiring 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; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, 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.

Governmental Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. 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.

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. 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.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. 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, 2018

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 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	\$ 53,349,552	\$ 70,838	\$ 30,123,797	\$ 83,544,187
Business-type activities	<u>5,356,685</u>	<u>-</u>	<u>-</u>	<u>5,356,685</u>
Total government-wide cash and investments	<u>58,706,237</u>	<u>70,838</u>	<u>30,123,797</u>	<u>88,900,872</u>
Fiduciary activities	<u>5,928,315</u>	<u>5,426,757</u>	<u>-</u>	<u>11,355,072</u>
Total cash and investments	<u>\$ 64,634,552</u>	<u>\$ 5,497,595</u>	<u>\$ 30,123,797</u>	<u>\$ 100,255,944</u>

Cash and investments were carried at fair value as of June 30, 2018 and consisted of the following:

Cash on hand	\$ 3,850
Cash in banks	<u>1,476,683</u>
Total cash	<u>1,480,533</u>
Money market funds	81,520
Cash with fiscal agent - investment agreements	5,497,595
Local Agency Investment Fund (LAIF)	29,381,717
U.S. Treasuries	22,173,127
U.S. Government agency obligations	9,058,748
Certificates of deposit	12,742,812
Medium term corporate notes	<u>19,839,892</u>
Total investments	<u>98,775,411</u>
Total cash and investments	<u>\$ 100,255,944</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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
Marin County Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Repurchase agreements	90 days	None	None
Money market funds	N/A	None	None
Local government agency debt	N/A	None	None
U.S. Treasury bonds/notes/bills	5 years	None	None
U.S. Government agency obligations	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposits	5 years	30%	None
Time certificates of deposit	N/A	25%	None
Medium term corporate notes	1 year	30%	15%
Reverse repurchase agreements	90 days	20%	None
Supernational investments	5 years	None	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.

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 "AAA" 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

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2018:

Investments	Fair Value Measurements Using			Fair Value
	Level 1 Inputs	Level 2 inputs	Level 3 inputs	
Money market funds	\$ -	\$ 81,520	\$ -	\$ 81,520
U.S. Treasuries	-	22,173,127	-	22,173,127
U.S Government agency obligations	-	9,058,748	-	9,058,748
Certificates of deposit	-	12,742,812	-	12,742,812
Medium term corporate notes	-	19,839,892	-	19,839,892
Held by bond trustee:				
Investment agreements	-	5,497,595	-	5,497,595
Total Investments	\$ -	\$ 69,393,694	\$ -	\$ 69,393,694

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 \$29,381,717 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, 2018:

	Remaining Maturity			Fair Value
	< 12 months	1-5 years	> 5 years	
Money market funds	\$ 81,520	\$ -	\$ -	\$ 81,520
Local Agency Investment Fund (LAIF)	29,381,717	-	-	29,381,717
U.S. Treasuries	-	22,173,127	-	22,173,127
U.S. Government agency obligations	624,229	8,434,519	-	9,058,748
Certificates of deposit	4,602,354	8,140,458	-	12,742,812
Medium term corporate notes	3,931,328	15,908,564	-	19,839,892
Held by bond trustee:				
Investment agreements	-	-	5,497,595	5,497,595
	\$ 38,621,148	\$ 54,656,668	\$ 5,497,595	\$ 98,775,411

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2018.

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	Minimum Rating	Rating as of Fiscal Year End		
			S&P	Moody's	N/A
Money market funds	\$ 81,520	Multiple	AAAm	Not rated	
Local Agency Investment Fund (LAIF)	29,381,717	None			Not rated
U.S. Treasuries	22,173,127	None	AA+	Aaa	
U.S. Government agency obligations	9,058,748	None	AA+	Aaa	
Certificates of deposit	1,261,489	None	AA-	Aa2	
Certificates of deposit	2,071,604	None	AA-	Aa3	
Certificates of deposit	961,721	None	AA-	A1	
Certificates of deposit	1,045,440	None	A-1+	P-1	
Certificates of deposit	1,514,823	None	A+	Aa2	
Certificates of deposit	1,048,911	None	A+	A1	
Certificates of deposit	1,653,752	None	A	A1	
Certificates of deposit	3,185,072	None	A-1	P-1	
Medium term corporate notes	1,503,478	A	AAA	Aaa	
Medium term corporate notes	986,076	A	AAA	Not rated	
Medium term corporate notes	345,081	A	AA+	Aaa	
Medium term corporate notes	709,050	A	AA+	Aa1	
Medium term corporate notes	532,041	A	AA	A1	
Medium term corporate notes	760,952	A	AA	Aa2	
Medium term corporate notes	177,919	A	AA-	Aa2	
Medium term corporate notes	775,472	A	AA-	Aa3	
Medium term corporate notes	172,535	A	AA-	A1	
Medium term corporate notes	78,674	A	AA-	A2	
Medium term corporate notes	2,976,518	A	A+	A1	
Medium term corporate notes	1,812,662	A	A+	A2	
Medium term corporate notes	306,787	A	A+	A3	
Medium term corporate notes	854,749	A	A	A1	
Medium term corporate notes	1,526,209	A	A	A2	
Medium term corporate notes	482,036	A	A	A3	
Medium term corporate notes	1,049,340	A	A-	A2	
Medium term corporate notes	1,483,428	A	A-	A3	
Medium term corporate notes	1,869,261	A	BBB+	A3	
Medium term corporate notes	723,509	A	BBB+	Baa1	
Medium term corporate notes	714,115	A	Not rated	Aaa	
Held by bond trustee:					
Investment agreements	5,497,595	N/A			Not rated
	<u>\$ 98,775,411</u>				

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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.

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: NOTES AND LOANS RECEIVABLE

Loans receivable of \$2,855,914 at June 30, 2018 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, 2018). The balance of the computer loans receivable at June 30, 2018 was \$9,670.

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, 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, 2018 was \$1,823,806 which includes \$323,806 of accrued interest.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 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, 2018 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, 2018 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, 2018, 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, 2018

NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS

Due From / To Other Funds

The composition of interfund balances as of June 30, 2018 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>			
General Fund	Capital Projects	Deficit cash balance	\$ 138,502
	State & Federal Grants	Deficit cash balance	55,545
	Community Facilities	Deficit cash balance	20,152
	Pension Obligation Bonds	Deficit cash balance	2,499
	Equipment Maintenance (IS)	Deficit cash balance	<u>802,867</u>
	Total Due From / To Other Funds		<u>\$ 1,019,565</u>

Advances To / From Other Funds

The composition of long-term interfund balances as of June 30, 2018 was as follows:

The General Fund is indebted to the Internal Service - Equipment Replacement Fund in the amount of \$224,318. 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 \$620,000 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 \$2,123,660 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, 2018

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

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2018 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	2,365,713
	Pension Obligation Bonds	Debt service	1,173,288
	Equipment Replacement	Annual MERA debt service	462,000
	Technology Replacement	Technology replacement	22,000
	Subdivision Park	RORF interfund loan writeoff	352,479
	Development Impact Fees	RORF interfund loan writeoff	931,637
Affordable Housing Program	Pension Obligation Bonds	Debt service	724
Restricted Revenue	Capital Improvement Projects	CIP Projects	296,863
Development Impact Fee	General Fund	CIP projects	16,379
	Capital Improvement Projects	CIP projects	69,944
Novato Public Financing Authority	General Fund	Administration service charge	13,000
	Capital Improvement Projects	CIP projects	227,518
Hamilton Trust Fund	General Fund	Trust investment earnings	251,811
	Affordable Housing Program	Trust investment earnings	41,957
		Total Major Governmental Interfund Transfers	<u>6,232,313</u>
<u>Non-Major Governmental Funds</u>			
Clean Stormwater	General Fund	Reserve for CIP projects	70,000
	Clean Stormwater CIP	Reserve for CIP projects	45,000
Parking Improvement Fund	Capital Improvement Projects	Reserve for CIP projects	34,440
Subdivision Park	General Fund	Annual appraisal cost	500
	Capital Improvement Projects	CIP projects	182,154
Automation Surcharge	Pension Obligation Bonds	Debt service	1,991
Hamilton Community Facilities	Capital Improvement Projects	CIP projects	406,353
	Pension Obligation Bonds	Debt service	9,835
Art in Public Places	Capital Improvement Projects	CIP projects	17,500
Pointe Marin CFD	Pension Obligation Bonds	Debt service	6,335
San Pablo Landscaping	Hamilton Community Facilities	Maintenance fee	8,683
State Gas Tax	General Fund	Street maintenance costs	817,000
	Capital Improvement Projects	CIP projects	396,054
COPS Grant	Capital Improvement Projects	CIP projects	25,349
	Equipment Replacement	CIP projects	14,031
State & Federal Grants	Capital Improvement Projects	CIP projects	172,399
Street Improvement (Measure A)	Capital Improvement Projects	CIP projects	565,803
Parks Measure A	Capital Improvement Projects	CIP projects	54,206
	Pension Obligation Bonds	Debt service	7,723
Clean Stormwater CIP	Capital Improvement Projects	CIP projects	8,000
		Total Non- Major Governmental Interfund Transfer	<u>2,843,356</u>
<u>Proprietary Funds</u>			
Equipment Maintenance	Pension Obligation Bonds	Debt service	13,455
Equipment Replacement	Capital Improvement Projects	CIP projects	2,881
		Total Proprietary Fund Transfers	<u>16,336</u>
		Total Interfund Transfers	<u>\$ 9,092,005</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description</u>	<u>Amount</u>
General Fund	Risk Mitigation Reserve	Reserves	\$ 3,000,000
General Fund	LT Maintenance - Facilities	CIP project support	586,915
General Fund	LT Maintenance - Infrastructure	CIP project support	400,000
General Fund	Emergency & Disaster Response	Emergency reserves	<u>592,624</u>
Total General Fund Intra-fund Transfers			\$ <u>4,579,539</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 144 - 146 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, 2018

NOTE 5: CAPITAL ASSETS

Governmental Activities:

	<u>Balance at July 1, 2017</u>	<u>Prior Period Adjustment</u>	<u>Balance at July 1, 2017, restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated							
Land	\$ 123,558,510	\$ -	\$ 123,558,510	\$ -	\$ -	\$ -	\$ 123,558,510
Construction-in-progress	<u>9,388,481</u>	<u>-</u>	<u>9,388,481</u>	<u>3,769,546</u>	<u>-</u>	<u>(5,823,875)</u>	<u>7,334,152</u>
Total capital assets not being depreciated	<u>132,946,991</u>	<u>-</u>	<u>132,946,991</u>	<u>3,769,546</u>	<u>-</u>	<u>(5,823,875)</u>	<u>130,892,662</u>
Capital assets being depreciated							
Buildings and improvements	45,143,707	-	45,143,707	-	-	689,678	45,833,385
Furniture and equipment	2,516,002	-	2,516,002	-	-	-	2,516,002
Infrastructure	<u>214,411,455</u>	<u>-</u>	<u>214,411,455</u>	<u>-</u>	<u>-</u>	<u>5,134,197</u>	<u>219,545,652</u>
Total capital assets being depreciated	<u>262,071,164</u>	<u>-</u>	<u>262,071,164</u>	<u>-</u>	<u>-</u>	<u>5,823,875</u>	<u>267,895,039</u>
Less accumulated depreciation							
Buildings and improvements	(9,734,598)	(214,451)	(9,949,049)	(900,947)	-	-	(10,849,996)
Furniture and equipment	(1,886,407)	-	(1,886,407)	(235,196)	-	-	(2,121,603)
Infrastructure	<u>(127,296,926)</u>	<u>-</u>	<u>(127,296,926)</u>	<u>(4,978,557)</u>	<u>-</u>	<u>-</u>	<u>(132,275,483)</u>
Total accumulated depreciation	<u>(138,917,931)</u>	<u>(214,451)</u>	<u>(139,132,382)</u>	<u>(6,114,700)</u>	<u>-</u>	<u>-</u>	<u>(145,247,082)</u>
Total Capital Assets, net	<u>256,100,224</u>	<u>(214,451)</u>	<u>255,885,773</u>	<u>(2,345,154)</u>	<u>-</u>	<u>-</u>	<u>253,540,619</u>
Internal Service Funds:							
Capital assets being depreciated							
Vehicles	<u>5,725,771</u>	<u>-</u>	<u>5,725,771</u>	<u>508,180</u>	<u>(363,086)</u>	<u>-</u>	<u>5,870,865</u>
Less accumulated depreciation							
Vehicles	<u>(4,237,570)</u>	<u>-</u>	<u>(4,237,570)</u>	<u>(479,152)</u>	<u>363,086</u>	<u>-</u>	<u>(4,353,636)</u>
Total Capital Assets, net	<u>1,488,201</u>	<u>-</u>	<u>1,488,201</u>	<u>29,028</u>	<u>-</u>	<u>-</u>	<u>1,517,229</u>
Total Governmental Activities	<u>\$ 257,588,425</u>	<u>\$ (214,451)</u>	<u>\$ 257,373,974</u>	<u>\$ (2,316,126)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,057,848</u>

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

Governmental Activities:

General government	\$ 65,117
Public safety	394,000
Culture and recreation	6,845
Community development	19,980
Public works	<u>6,107,910</u>
Total governmental activities depreciation expense	<u>\$ 6,593,852</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type Activities:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated					
Land	\$ 11,840,000	\$ -	\$ -	\$ -	\$ 11,840,000
Capital assets being depreciated					
Buildings and improvements	7,241,234	325,135	-	-	7,566,369
Furniture and equipment	<u>123,153</u>	<u>130,002</u>	-	-	<u>253,155</u>
Total capital assets being depreciated	<u>7,364,387</u>	<u>455,137</u>	-	-	<u>7,819,524</u>
Less accumulated depreciation					
Buildings and improvements	(3,723,399)	(331,185)	-	-	(4,054,584)
Furniture and equipment	<u>(73,681)</u>	<u>(41,434)</u>	-	-	<u>(115,115)</u>
Total accumulated depreciation	<u>(3,797,080)</u>	<u>(372,619)</u>	-	-	<u>(4,169,699)</u>
Total Capital Assets, net	<u>\$ 15,407,307</u>	<u>\$ 82,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,489,825</u>

NOTE 6: LONG-TERM LIABILITIES

Governmental activities long-term debt issued and outstanding at June 30, 2018 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, 2018</u>
General obligation bonds:				
Series 2007	2027	3.55-4.125%	\$ 5,000,000	\$ 2,995,000
Pension obligation bonds, A-1 & A-2	2035	5.69-6.12%	18,296,066	18,599,366
2013 General obligation refunding bonds	2025	2.44%	10,710,450	5,879,967
Bond issuance premiums (discounts)				
Series 2007 premium				118,028
Pension obligation bonds discount				(86,298)
Clean Renewable Energy Bonds (CREBS)	2024	0.00%	1,533,000	513,163
Capital leases	2017-2020	2.10-4.81%	Various	63,231
Compensated absences				<u>1,437,127</u>
Total governmental activities				<u>\$ 29,519,584</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Business-type activities long-term debt issued and outstanding at June 30, 2018 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, 2018</u>
Bank of Marin	2028	2.8050%	\$ 7,900,000	\$ <u>5,406,209</u>

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2018:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 10,372,907	\$ -	\$ (1,497,940)	\$ 8,874,967	\$ 1,517,844
Pension obligation bonds	18,804,748	329,618	(535,000)	18,599,366	620,000
Clean renewable energy bonds	626,478	-	(113,315)	513,163	113,315
Premium (discount) on bonds, net	36,817	-	(5,087)	31,730	5,088
Capital leases	<u>153,743</u>	<u>-</u>	<u>(90,512)</u>	<u>63,231</u>	<u>28,542</u>
Total bonds and notes payable	<u>29,994,693</u>	<u>329,618</u>	<u>(2,241,854)</u>	<u>28,082,457</u>	<u>2,284,789</u>
Other liabilities:					
Compensated absences	<u>1,365,593</u>	<u>1,526,606</u>	<u>(1,455,072)</u>	<u>1,437,127</u>	<u>53,507</u>
Total Governmental Activities	<u>\$ 31,360,286</u>	<u>\$ 1,856,224</u>	<u>\$ (3,696,926)</u>	<u>\$ 29,519,584</u>	<u>\$ 2,338,296</u>
	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Business-type Activities					
Bank of Marin	<u>\$ 5,895,888</u>	<u>\$ -</u>	<u>\$ (489,679)</u>	<u>\$ 5,406,209</u>	<u>\$ 503,739</u>
Total Business-type Activities	<u>\$ 5,895,888</u>	<u>\$ -</u>	<u>\$ (489,679)</u>	<u>\$ 5,406,209</u>	<u>\$ 503,739</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2018 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.

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, 2018 includes accumulated depreciation of \$133,401. The total related net value of the assets is \$61,315. 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 \$147,805 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, 2018 was \$13,637.

Compensated Absences

At June 30, 2018, compensated absences totaled \$1,437,127, of which \$53,507 was recorded as a current liability and the non-current portion totaled \$1,383,620. For governmental activities, compensated absences are liquidated by the general fund.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Future Debt Service

General Obligation Bonds

For the Year Ending June 30,	Principal		
	Series 2013	Series 2007	Total
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	315,573	295,000	610,573
2024 - 2028	<u>982,324</u>	<u>1,640,000</u>	<u>2,622,324</u>
Total	\$ <u>5,879,967</u>	\$ <u>2,995,000</u>	\$ <u>8,874,967</u>

For the Year Ending June 30,	Interest		
	Series 2013	Series 2007	Total
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	27,818	72,288	100,106
2024 - 2028	<u>36,320</u>	<u>173,002</u>	<u>209,322</u>
Total	\$ <u>392,574</u>	\$ <u>644,842</u>	\$ <u>1,037,416</u>

Pension Obligation Bonds

For the Year Ending June 30,	Principal	Interest	Total
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	1,015,000	589,442	1,604,442
2024 - 2028	7,045,000	1,895,230	8,940,230
2029 - 2033	5,731,810	4,954,675	10,686,485
2034 - 2038	<u>1,782,556</u>	<u>3,037,444</u>	<u>4,820,000</u>
Total	\$ <u>18,599,366</u>	\$ <u>13,309,411</u>	\$ <u>31,908,777</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Clean Renewable Energy Bonds

For the Year Ending June 30,	Principal	Interest	Total
2019	\$ 113,315	\$ -	\$ 113,315
2020	113,315	-	113,315
2021	113,315	-	113,315
2022	113,315	-	113,315
2023	<u>59,903</u>	<u>-</u>	<u>59,903</u>
Total	\$ <u>513,163</u>	\$ <u>-</u>	\$ <u>513,163</u>

Capital leases

For the Year Ending June 30,	Principal	Interest	Total
2019	\$ 28,542	\$ 2,806	\$ 31,348
2020	23,661	1,470	25,131
2021	8,946	484	9,430
2022	<u>2,082</u>	<u>76</u>	<u>2,158</u>
Total	\$ <u>63,231</u>	\$ <u>4,836</u>	\$ <u>68,067</u>

Total Governmental Activities Future Debt Service

For the Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,279,701	\$ 1,014,586	\$ 3,294,287
2020	2,410,897	935,033	3,345,930
2021	2,539,250	849,449	3,388,699
2022	1,953,713	766,376	2,720,089
2023	1,685,476	689,548	2,375,024
2024 - 2028	9,667,324	2,104,552	11,771,876
2029 - 2033	5,731,810	4,954,675	10,686,485
2034 - 2038	<u>1,782,556</u>	<u>3,037,444</u>	<u>4,820,000</u>
Total	\$ <u>28,050,727</u>	\$ <u>14,351,663</u>	\$ <u>42,402,390</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

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>
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	564,318	86,854	651,172
2024 - 2028	<u>2,738,578</u>	<u>183,033</u>	<u>2,921,611</u>
Total	<u>\$ 5,406,209</u>	<u>\$ 771,266</u>	<u>\$ 6,177,475</u>

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. 1993-1 (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, 2018, the outstanding principal of the Assessment District No. 93-1 (Golden Gate Plaza) bond issue was \$390,000.

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, 2018 the outstanding principal of the City of Novato CFD No. 1994-1 Hamilton Field 2014 Loan Refinancing was \$9,433,700.

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, 2018 the outstanding principal of the City of Novato Community Facilities District No. 2002-1 (Pointe Marin) Special Tax Refunding bond issue was \$8,555,000.

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, 2018, the outstanding principal of the City of Novato Community Facilities District No.1 (Vintage Oaks) Special Tax Bond Refinancing Loan was \$11,621,616.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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 assign 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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: FUND BALANCE (CONTINUED)

As of June 30, 2018, 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	\$ 18,964	\$ -	\$ -	\$ -	\$ 18,964
Advances	1,936,555	-	-	-	1,936,555
Employee loans	9,670	-	-	-	9,670
Total Nonspendable	<u>1,965,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,965,189</u>
Restricted					
Taxes, & fees	-	-	32,164,669	6,024,008	38,188,677
Grants & contributions	-	-	-	416,083	416,083
Capital projects	-	11,919,357	-	2,231,362	14,150,719
Succssor Agency admin	40,817	-	-	-	40,817
Affordable housing	-	2,807,377	-	-	2,807,377
Debt service	-	-	-	1,979,029	1,979,029
Total Restricted	<u>40,817</u>	<u>14,726,734</u>	<u>32,164,669</u>	<u>10,650,482</u>	<u>57,582,702</u>
Assigned					
Capital projects	6,842,390	-	-	-	6,842,390
CIP information technology	1,194,730	-	-	-	1,194,730
Risk mitigation	3,000,000	-	-	-	3,000,000
Operating	1,553,019	-	-	-	1,553,019
Insurance	636,109	-	-	-	636,109
Pension reserve	1,414	-	-	-	1,414
Emergency & disaster response	5,961,089	-	-	-	5,961,089
Long-term maintenance	-	-	-	88,709	88,709
Total Assigned	<u>19,188,751</u>	<u>-</u>	<u>-</u>	<u>88,709</u>	<u>19,277,460</u>
Unassigned	<u>3,901,215</u>	<u>(2,360,454)</u>	<u>-</u>	<u>(296,314)</u>	<u>1,244,447</u>
Total Fund Balance	<u>\$ 25,095,972</u>	<u>\$ 12,366,280</u>	<u>\$ 32,164,669</u>	<u>\$ 10,442,877</u>	<u>\$ 80,069,798</u>

Fund Balance Deficits

As of June 30, 2018, the following funds had a fund deficit:

<u>Fund</u>	<u>Deficit</u>
Capital Improvement Projects	\$ 384,782
Novato Public Financing Authority	1,975,672
Parks Measure A	273,663
Community Center Maintenance	20,152
Pension Obligations Bonds Fund	2,499

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

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

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, 2018, 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	17.444%	17.444%

Hire Date	Safety		
	Prior to September 25, 2011	September 25, 2011 - December 31, 2012	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*	42.167%	16.842%	11.999%

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

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees Covered

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

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	224
Inactive employees entitled to but not yet receiving benefits	181
Active employees	140
Total	545

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 \$1,908,144 for the year ended June 30, 2018, and the City's contributions to the Safety Plan were \$1,944,417 for the year ended June 30, 2018.

B. Net Pension Liability

The net pension liability of each of the Plans is measured as of June 30, 2017 using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

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>Increase (Decrease)</u>		
<u>Miscellaneous Plan</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at July 1, 2016	\$ 89,806,887	\$ 69,247,859	\$ 20,559,028
Changes in the Year:			
Service cost	1,660,667	-	1,660,667
Interest on the total pension liability	6,583,694	-	6,583,694
Changes of assumptions	5,038,152	-	5,038,152
Differences between expected and actual experience	(1,365,339)	-	(1,365,339)
Plan to Plan Resource Movement	-	-	-
Contributions - employer	-	1,763,637	(1,763,637)
Contributions - employee	-	695,707	(695,707)
Net investment income	-	7,705,310	(7,705,310)
Benefit payments, including refunds of employee contributions	(4,460,795)	(4,460,795)	-
Administrative expense	-	(102,240)	102,240
Net Changes	7,456,379	5,601,619	1,854,760
Balance at June 30, 2018	\$ 97,263,266	\$ 74,849,478	\$ 22,413,788

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Safety Plan of \$25,076,158. The City's total net pension liability as of June 30, 2018 totaled \$47,489,946.

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, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.250761%
Proportion - June 30, 2018	0.252854%
Change - Increase (Decrease)	0.002093%

Actuarial Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	
Miscellaneous Plan	7.50% net of pension plan investment expenses; includes inflation
Safety Return	7.15% 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, 2016 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 at www.calpers.ca.gov under Forms and Publications.

Changes in Assumptions

For the measurement date June 30, 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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 7.15 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 7.15 percent is applied to all plans in the Public Employees'

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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, 2014.

<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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

- (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% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Miscellaneous (total share)	\$ 34,533,195	\$ 22,413,788	\$ 12,305,653
Safety (proportionate share)	\$ 38,799,838	\$ 25,076,158	\$ 13,857,735

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, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Miscellaneous Plan

For the year ended June 30, 2018, the City recognized pension expense of \$3,576,477 for the Miscellaneous Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 1,908,144	\$ -
Differences between actual and expected experience	-	(1,002,375)
Changes in assumptions	2,847,651	-
Net differences between projected and actual earnings on plan investments	<u>1,003,887</u>	<u>-</u>
Total	<u>\$ 5,759,682</u>	<u>\$ (1,002,375)</u>

\$1,908,144 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 1,319,237
2020	1,665,376
2021	431,005
2022	(566,455)

Safety Plan

For the year ended June 30, 2018, the City recognized pension expense of \$1,918,876 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 1,944,417	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	-	(1,235,028)
Differences between actual and expected experience	286,444	(74,683)
Changes in assumptions	4,154,176	(318,719)
Change in employer's proportion	358,113	(1,282,322)
Net differences between projected and actual earnings on plan investments	<u>905,772</u>	<u>-</u>
Total	<u>\$ 7,648,922</u>	<u>\$ (2,910,752)</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$1,944,417 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (237,554)
2020	2,240,207
2021	1,321,101
2022	(530,000)

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.

The City has an irrevocable trust with Public Agency Retirement Services (PARS) to fund its retiree health benefits. Contributions to the trust are made annually according to the City's Other Post-Employment Benefit funding policy. PARS issues a separate annual financial report and copies of the report can be obtained by contacting PARS at 4350 Von Karman Ave., Suite 100, Newport Beach, California 92660.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	201
Inactive employees currently receiving benefits	58
Inactive employees entitled to, but not yet receiving benefits	<u>114</u>
 Total	 <u><u>373</u></u>

Contributions

The City's policy is to fully fund the actuarially determined contribution. For governmental activities, the contribution has been liquidated by the general fund. The City makes contributions on behalf of the participants. For the fiscal year ended June 30, 2018, the city contributed \$524,000.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

The City's net OPEB liability ("NOL") was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2016 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2016
Contribution Policy	City contributes full ADC
Discount Rate and Long Term	6.25% at June 30, 2017
Expected Rate of Return on Assets	6.25% at June 30, 2016
	Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	3.00% annually
Mortality, Retirement, Disability, Termination Rates	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-14 with 15 year convergence in 2022
Salary Increase	Aggregate - 3.25% annually Merit - Tables from CalPERS 1997-2011 Experience Study
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years Medicare - 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years
PEMHCA Minimum Increases	4.50% annually Covered Actives: 75% Waived Actives: 5% Covered Retirees: 100% Waived Retirees: 5% re-elect at 65

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of 6.25 percent.

Asset Class Component	Target Allocation PARS - Balance	Expected Real Rate of Return
Global Equity	58%	4.87%
Fixed Income	35%	1.47%
REITs	2%	3.76%
Cash	5%	0.06%
Assumed long-term rate of inflation		2.75%
Expected long-term net rate of return, rounded		6.25%

The long-term expected real rate of returns are presented as geometric means.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25% based on an assumption that contributions would be sufficient to pay all benefits from the trust.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	<u>Total OPEB Liability (TOL) (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability/(Asset) (c) = (a) - (b)</u>
Balance at June 30, 2017 (6/30/2016 measurement date)	\$ 4,387,000	\$ 709,000	\$ 3,678,000
Service cost	205,000	-	205,000
Interest in TOL	280,000	-	280,000
Employer contributions	-	397,000	(397,000)
Net investment income	-	87,000	(87,000)
Administrative expense	-	(2,000)	2,000
Benefit payments	<u>(213,000)</u>	<u>(213,000)</u>	<u>-</u>
Net change during 2016-17	<u>272,000</u>	<u>269,000</u>	<u>3,000</u>
Balance at June 30, 2018 (6/30/2017 measurement date)	<u>\$ 4,659,000</u>	<u>\$ 978,000</u>	<u>\$ 3,681,000</u>

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

The following represents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2018:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Net OPEB Liability	\$ <u>4,299,000</u>	\$ <u>3,681,000</u>	\$ <u>3,173,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following represents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2018:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ <u>3,049,000</u>	\$ <u>3,681,000</u>	\$ <u>4,469,000</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changed in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
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OPEB Expense

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$430,000. As of the fiscal year ended June 30, 2018, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 524,000	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(30,000)
Total	\$ 524,000	\$ (30,000)

\$524,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflow/(Inflows) of Resources
2019	\$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(6,000)

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.

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.

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11: RISK MANAGEMENT (CONTINUED)

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 \$366,797 for claims and \$605,398 for insurance premiums during the fiscal year ended June 30, 2018.

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, 2018, the City incurred costs of \$1,179,806 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, 2018:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Projected known claims	\$ 819,038	\$ 400,748	\$ 1,219,786
Projected IBNR	<u>935,045</u>	<u>354,063</u>	<u>1,289,108</u>
Total Claims Liability	<u>\$ 1,754,083</u>	<u>\$ 754,811</u>	<u>\$ 2,508,894</u>
Claims liability - current	\$ 501,487	\$ 198,271	\$ 699,758
Claims liability - non-current	<u>1,252,596</u>	<u>556,540</u>	<u>1,809,136</u>
Total Claims Liability	<u>\$ 1,754,083</u>	<u>\$ 754,811</u>	<u>\$ 2,508,894</u>

CITY OF NOVATO
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

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, 2018:

<u>Fund</u>	<u>Excess Expenditures and Transfers</u>
Novato Public Financing Authority	77,883
Automation Surcharge	1,530
COPS Grant	94,635
General Obligation	265
Pension Obligation	3,322

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.

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. The prepaid lease is recorded in the Redevelopment Obligation Retirement Fund.

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.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 246,108
2020	245,524
2021	245,691
2022	<u>24,365</u>
Total	<u>\$ 761,688</u>

CITY OF NOVATO
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14: PRIOR PERIOD ADJUSTMENTS

During the current year, it was noted that beginning accumulated depreciation was understated in the Government-wide Statement of Net Position. Consequently, an adjustment for \$214,451 was recorded to decrease the government-wide beginning net position.

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, an adjustment for \$2,516,386 was recorded to decrease the governmental-activities beginning net position.

NOTE 15: EXTRAORDINARY ITEM - NOVATO REDEVELOPMENT AGENCY DISSOLUTION

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.

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 had 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 in fiscal year 2017. The City remitted and recorded the second payment in January 2017 in an identical fashion. Both payments, totaling \$5,219,813 were included in the balance of \$5,376,334 in the Statement of Net Position as advances to the successor agency.

In November 2018, the City received a final ruling from the courts stating that the funds in dispute are not considered enforceable obligations, ruling in favor of the Department of Finance. Consequently, the City wrote-off \$5,336,276 of the advance to the successor agency resulting in an extraordinary loss on the government-wide Statement of Activities and an extraordinary gain on the successor agency's Statement of Changes in Fiduciary Net Position.

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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Taxes	\$ 30,815,945	\$ 30,815,945	\$ 31,868,141	\$ 1,052,196
Licenses and permits	1,152,450	1,152,450	1,308,759	156,309
Intergovernmental	394,534	418,728	411,034	(7,694)
Fines and forfeitures	525,500	555,490	600,693	45,203
Use of money and property	650,672	650,672	436,596	(214,076)
Charges for services	2,923,400	2,925,976	3,215,415	289,439
Other revenues	<u>2,179,350</u>	<u>2,160,050</u>	<u>2,223,351</u>	<u>63,301</u>
Total Revenues	<u>38,641,851</u>	<u>38,679,311</u>	<u>40,063,989</u>	<u>1,384,678</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Central Administration				
City council	79,693	79,693	75,848	3,845
City manager	1,154,771	1,161,771	867,546	294,225
City clerk	556,801	556,801	432,732	124,069
City attorney	<u>562,000</u>	<u>562,000</u>	<u>466,191</u>	<u>95,809</u>
Total Central Administration	<u>2,353,265</u>	<u>2,360,265</u>	<u>1,842,317</u>	<u>517,948</u>
Administrative Services				
Administration	253,304	253,304	167,481	85,823
Human resources	790,936	790,936	905,447	(114,511)
Finance	732,053	727,053	690,997	36,056
Information technology	1,203,927	1,203,927	1,067,581	136,346
Internal support	54,993	54,993	53,824	1,169
City-wide programs	<u>2,745,436</u>	<u>3,164,878</u>	<u>3,441,688</u>	<u>(276,810)</u>
Total Administrative Services	<u>5,780,649</u>	<u>6,195,091</u>	<u>6,327,018</u>	<u>(131,927)</u>
Total General Government	<u>8,133,914</u>	<u>8,555,356</u>	<u>8,169,335</u>	<u>386,021</u>
Public Safety				
Administrative Services				
City-wide programs	<u>47,635</u>	<u>47,635</u>	<u>1,276</u>	<u>46,359</u>
Police				
Technical services	2,724,590	2,731,065	2,691,040	40,025
Professional standards	1,262,488	1,286,682	1,451,746	(165,064)
Investigations	924,769	924,959	991,622	(66,663)
Patrol	7,751,159	7,787,837	7,659,081	128,756
Traffic	756,303	775,338	707,774	67,564
Special services	<u>1,152,827</u>	<u>1,196,397</u>	<u>1,245,583</u>	<u>(49,186)</u>
Total Police	<u>14,572,136</u>	<u>14,702,278</u>	<u>14,746,846</u>	<u>(44,568)</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
Public Works				
Traffic & engineering	15,944	15,944	19,697	(3,753)
Traffic operations	<u>450,734</u>	<u>450,700</u>	<u>382,400</u>	<u>68,300</u>
Total Public Works	<u>466,678</u>	<u>466,644</u>	<u>402,097</u>	<u>64,547</u>
Total Public Safety	<u>15,086,449</u>	<u>15,216,557</u>	<u>15,150,219</u>	<u>66,338</u>
Public Works				
Community Development				
Code Enforcement	392,596	392,596	351,512	41,084
Planning	900,112	900,112	860,505	39,607
Clerical support services	348,139	348,139	364,398	(16,259)
Building inspections	<u>850,556</u>	<u>854,264</u>	<u>997,704</u>	<u>(143,440)</u>
Total Community Development	<u>2,491,403</u>	<u>2,495,111</u>	<u>2,574,119</u>	<u>(79,008)</u>
Public Works				
Traffic & engineering	758,536	758,536	714,966	43,570
Engineering-project development	336,394	383,889	367,104	16,785
Engineering-construction management	388,566	338,566	74,847	263,719
Maintenance administration	320,471	323,450	354,726	(31,276)
Street maintenance	1,496,440	1,505,733	1,411,691	94,042
Street tree/parkway maintenance	509,915	514,743	522,322	(7,579)
Building maintenance	<u>849,017</u>	<u>849,011</u>	<u>920,853</u>	<u>(71,842)</u>
Total Public Works	<u>4,659,339</u>	<u>4,673,928</u>	<u>4,366,509</u>	<u>307,419</u>
Total Public Works	<u>7,150,742</u>	<u>7,169,039</u>	<u>6,940,628</u>	<u>228,411</u>
Culture and Recreation				
Public Works				
Parks maintenance	1,627,176	1,727,276	1,587,063	140,213
Building maintenance	<u>510,160</u>	<u>510,160</u>	<u>494,499</u>	<u>15,661</u>
Total Public Works	<u>2,137,336</u>	<u>2,237,436</u>	<u>2,081,562</u>	<u>155,874</u>
Parks, Recreation, & Community Service				
Administration	684,212	685,373	462,928	222,445
Child care & enrichment programs	846,587	831,672	788,336	43,336
Cultural programs	61,400	61,400	10,990	50,410
Senior citizens	433,656	463,571	432,673	30,898
Special events	60,425	60,425	65,389	(4,964)
Athletics	<u>1,481,682</u>	<u>1,466,682</u>	<u>1,574,017</u>	<u>(107,335)</u>
Total Parks, Recreation & Community Services	<u>3,567,962</u>	<u>3,569,123</u>	<u>3,334,333</u>	<u>234,790</u>
Total Cultural and Recreation	<u>5,705,298</u>	<u>5,806,559</u>	<u>5,415,895</u>	<u>390,664</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
Community Development				
Central Administration				
General Management	-	-	-	-
Economic development	860,319	853,319	428,559	424,760
Regulation enforcement	-	-	-	-
Housing programs	-	-	-	-
Total Central Administration	<u>860,319</u>	<u>853,319</u>	<u>428,559</u>	<u>424,760</u>
Administrative Services				
City-wide programs	<u>124,616</u>	<u>124,616</u>	<u>124,569</u>	<u>47</u>
Total Administrative Services	<u>124,616</u>	<u>124,616</u>	<u>124,569</u>	<u>47</u>
Total Community Development	<u>984,935</u>	<u>977,935</u>	<u>553,128</u>	<u>424,807</u>
Capital Outlay				
Debt Service				
Principal	113,315	113,315	203,826	(90,511)
Interest	<u>-</u>	<u>-</u>	<u>7,414</u>	<u>(7,414)</u>
Total Debt Service	<u>113,315</u>	<u>113,315</u>	<u>211,240</u>	<u>(97,925)</u>
Total Expenditures	<u>37,174,653</u>	<u>37,838,761</u>	<u>36,440,445</u>	<u>1,398,316</u>
Excess (deficiency) of revenues over expenditures	<u>1,467,198</u>	<u>840,550</u>	<u>3,623,544</u>	<u>2,782,994</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,359,935	1,359,935	1,168,690	(191,245)
Transfers out	<u>(10,773,450)</u>	<u>(10,991,175)</u>	<u>(5,314,117)</u>	<u>5,677,058</u>
Total Other Financing Sources (Uses)	<u>(9,413,515)</u>	<u>(9,631,240)</u>	<u>(4,145,427)</u>	<u>5,485,813</u>
<u>EXTRAORDINARY ITEM</u>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(2,485,279)</u>	<u>(2,485,279)</u>
Total Extraordinary Item	<u>-</u>	<u>-</u>	<u>(2,485,279)</u>	<u>(2,485,279)</u>
Net change in fund balance	<u>\$ (7,946,317)</u>	<u>\$ (8,790,690)</u>	<u>(3,007,162)</u>	<u>\$ 5,783,528</u>
Fund balance - July 1, 2017			<u>28,103,134</u>	
Fund balance - June 30, 2018			<u>\$ 25,095,972</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Use of money and property	\$ 6,750	\$ 6,750	\$ 38,238	\$ 31,488
Charges for services	78,000	78,000	114,609	36,609
Other revenues	<u>-</u>	<u>-</u>	<u>8,868</u>	<u>8,868</u>
Total Revenues	<u>84,750</u>	<u>84,750</u>	<u>161,715</u>	<u>76,965</u>
<u>EXPENDITURES</u>				
Current:				
Community Development				
Community development	<u>175,000</u>	<u>175,000</u>	<u>136,098</u>	<u>38,902</u>
Total Expenditures	<u>175,000</u>	<u>175,000</u>	<u>136,098</u>	<u>38,902</u>
Excess (deficiency) of revenues over expenditures	<u>(90,250)</u>	<u>(90,250)</u>	<u>25,617</u>	<u>115,867</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	56,000	56,000	41,957	(14,043)
Transfers out	<u>(743)</u>	<u>(743)</u>	<u>(724)</u>	<u>19</u>
Total Other Financing Sources (Uses)	<u>55,257</u>	<u>55,257</u>	<u>41,233</u>	<u>(14,024)</u>
Net change in fund balance	<u>\$ (34,993)</u>	<u>\$ (34,993)</u>	<u>66,850</u>	<u>\$ 101,843</u>
Fund balance - July 1, 2017			<u>2,740,527</u>	
Fund balance - June 30, 2018			<u>\$ 2,807,377</u>	

**CITY OF NOVATO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018
Last 10 Years ***

	Measurement Period			
	2017	2016	2015	2014
Changes in Total Pension Liability				
Service cost	\$ 1,660,667	\$ 1,651,346	\$ 1,492,551	\$ 1,481,542
Interest	6,583,694	6,475,684	6,277,841	6,054,166
Changes of assumptions	5,038,152	-	(1,430,883)	-
Difference between expected and actual experience	(1,365,339)	(999,532)	(770,125)	-
Benefit payments, including refunds of member contributions	<u>(4,460,795)</u>	<u>(4,287,852)</u>	<u>(4,240,324)</u>	<u>(3,757,926)</u>
Net Change in Total Pension Liability	<u>7,456,379</u>	<u>2,839,646</u>	<u>1,329,060</u>	<u>3,777,782</u>
Total Pension Liability - Beginning of Year	89,806,887	86,967,241	85,638,181	81,860,399
Total Pension Liability - End of Year	<u>97,263,266</u>	<u>89,806,887</u>	<u>86,967,241</u>	<u>85,638,181</u>
Changes in Plan Fiduciary Net Position				
Contributions - employer	1,763,637	1,603,220	1,435,535	1,206,124
Contributions - employee	695,707	712,496	635,240	582,962
Plan to plan resource movement	-	2,406	(286)	-
Net investment income	7,705,310	354,708	1,592,282	10,779,038
Benefit payments, including refunds of member contributions	(4,460,795)	(4,287,852)	(4,240,324)	(3,757,926)
Administrative expenses	<u>(102,240)</u>	<u>(43,214)</u>	<u>(80,001)</u>	<u>-</u>
Net changes	<u>5,601,619</u>	<u>(1,658,236)</u>	<u>(657,554)</u>	<u>8,810,198</u>
Plan Fiduciary Net Position - Beginning of Year	69,247,859	70,906,095	71,563,649	62,753,451
Plan Fiduciary Net Position - End of Year	<u>74,849,478</u>	<u>69,247,859</u>	<u>70,906,095</u>	<u>71,563,649</u>
Net Pension Liability - End of Year	<u>\$22,413,788</u>	<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	77.0 %	77.1 %	81.5 %	83.6 %
Covered Payroll	\$10,065,998	\$10,038,364	\$ 9,922,494	\$ 9,367,365
Net Pension Liability as a Percentage of Covered Payroll	222.7 %	204.8 %	161.9 %	150.3 %

Notes to Schedule:

Changes in assumptions. In 2017, amounts reported reflect an adjustment of the discount rate from 7.65 percent to 7.15 percent. 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 four 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, 2018
Last 10 Years ***

	Measurement Period			
	2017	2016	2015	2014
Proportion of the net pension liability	0.25285 %	0.25076 %	0.23386 %	0.25458 %
Proportionate share of the net pension liability	\$25,076,158	\$21,698,548	\$16,050,389	\$15,840,916
Covered payroll	\$ 5,769,289	\$ 5,779,335	\$ 5,615,795	\$ 5,800,922
Proportionate share of the net pension liability as a percentage of covered payroll	434.65 %	375.45 %	285.81 %	273.08 %
Plan fiduciary net position as a percentage of the total pension liability	73.31 %	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions. In 2017, amounts reported reflect an adjustment of the discount rate from 7.65 percent to 7.15 percent. 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 four 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, 2018
Last 10 Years ***

	Fiscal Year-End							
	2018		2017		2016		2015	
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
Contractually required contribution (actuarially determined)	\$ 1,908,144	\$ 1,944,417	\$ 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>1,908,144</u>	<u>1,944,417</u>	<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>	\$ <u> -</u>	\$ <u> -</u>
Covered payroll	\$ 10,274,916	\$ 5,899,923	\$ 10,065,998	\$ 5,769,289	\$ 10,038,364	\$ 5,779,335	\$ 9,922,494	\$ 5,615,795
Contributions as a percentage of covered payroll	18.57 %	32.96 %	17.52 %	29.38 %	16.20 %	26.76 %	14.47 %	20.81 %

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

See accompanying notes to the basic financial statements.

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
For the Measurement Periods Ended June 30**

Last 10 Years*

	2017
Total OPEB liability	
Service cost	\$ 205,000
Interest	280,000
Benefit payments	(213,000)
Net change in total OPEB liability	272,000
Total OPEB liability, beginning	4,387,000
Total OPEB liability, ending (a)	\$ 4,659,000
 Plan fiduciary net position	
Contributions - employer	\$ 397,000
Net investment income	87,000
Benefit payments	(213,000)
Administrative expenses	(2,000)
Net change in plan fiduciary net position	269,000
Plan fiduciary net position, beginning	709,000
Plan fiduciary net position, ending (b)	\$ 978,000
City's net OPEB liability, ending (a) - (b)	\$ 3,681,000
Plan fiduciary net position as a percentage of the total OPEB liability	21 %
Covered payroll**	\$ 17,573,000
City's net OPEB liability as a percentage of covered-employee payroll	21 %

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

** For the 12 month period ending on June 30, 2017 (Measurement Date).

**CITY OF NOVATO
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF OPEB CONTRIBUTIONS
For the Fiscal Year Ended June 30
Last 10 Years***

	2018
Actuarially Determined Contribution (ADC)	\$ 466,000
Contributions in relation to the ADC**	(524,000)
Contribution deficiency (excess)	\$ (58,000)
Covered payroll***	\$ 18,910,000
Contributions as a percentage of covered-employee payroll	2.8 %

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

** Actual 2017/18 contribution.

*** For the 12 month period ending on June 30, 2018 (fiscal year end).

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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Other revenues	\$ 34,176	\$ 41,939	\$ -	\$ (41,939)
Total Revenues	<u>34,176</u>	<u>41,939</u>	<u>-</u>	<u>(41,939)</u>
<u>EXPENDITURES</u>				
Capital Projects	<u>20,915,477</u>	<u>21,161,427</u>	<u>4,726,855</u>	<u>16,434,572</u>
Total Expenditures	<u>20,915,477</u>	<u>21,161,427</u>	<u>4,726,855</u>	<u>16,434,572</u>
Excess (deficiency) of revenues over expenditures	<u>(20,881,301)</u>	<u>(21,119,488)</u>	<u>(4,726,855)</u>	<u>16,392,633</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>20,881,301</u>	<u>21,925,249</u>	<u>4,825,177</u>	<u>(17,100,072)</u>
Total Other Financing Sources (Uses)	<u>20,881,301</u>	<u>21,925,249</u>	<u>4,825,177</u>	<u>(17,100,072)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 805,761</u>	<u>98,322</u>	<u>\$ (707,439)</u>
Fund balance (deficit) - July 1, 2017			<u>(483,104)</u>	
Fund balance (deficit) - June 30, 2018			<u>\$ (384,782)</u>	

CITY OF NOVATO
RESTRICTED REVENUE FUND - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Charges for services	\$ 820,430	\$ 820,430	\$ 296,863	\$ (523,567)
Total Revenues	<u>820,430</u>	<u>820,430</u>	<u>296,863</u>	<u>(523,567)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>820,430</u>	<u>820,430</u>	<u>296,863</u>	<u>(523,567)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(820,430)</u>	<u>(820,430)</u>	<u>(296,863)</u>	<u>523,567</u>
Total Other Financing Sources (Uses)	<u>(820,430)</u>	<u>(820,430)</u>	<u>(296,863)</u>	<u>523,567</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2017			<u>-</u>	
Fund balance - June 30, 2018			<u>\$ -</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 97,000	\$ 97,000	\$ 129,433	\$ 32,433
Charges for services	<u>1,639,285</u>	<u>1,639,285</u>	<u>104,367</u>	<u>(1,534,918)</u>
Total Revenues	<u>1,736,285</u>	<u>1,736,285</u>	<u>233,800</u>	<u>(1,502,485)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,736,285</u>	<u>1,736,285</u>	<u>233,800</u>	<u>(1,502,485)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	931,637	931,637
Transfers out	<u>(1,975,850)</u>	<u>(2,182,040)</u>	<u>(86,323)</u>	<u>2,095,717</u>
Total Other Financing Sources (Uses)	<u>(1,975,850)</u>	<u>(2,182,040)</u>	<u>845,314</u>	<u>3,027,354</u>
<u>EXTRAORDINARY ITEM</u>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(931,637)</u>	<u>(931,637)</u>
Total Extraordinary Item	<u>-</u>	<u>-</u>	<u>(931,637)</u>	<u>(931,637)</u>
Net change in fund balance	<u>\$ (239,565)</u>	<u>\$ (445,755)</u>	<u>147,477</u>	<u>\$ 593,232</u>
Fund balance - July 1, 2017			<u>11,771,880</u>	
Fund balance - June 30, 2018			<u>\$ 11,919,357</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 45,720	\$ 45,720	\$ 200,836	\$ 155,116
Total Revenues	<u>45,720</u>	<u>45,720</u>	<u>200,836</u>	<u>155,116</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Citywide programs	<u>57,100</u>	<u>57,100</u>	<u>134,983</u>	<u>(77,883)</u>
Total Expenditures	<u>57,100</u>	<u>57,100</u>	<u>134,983</u>	<u>(77,883)</u>
Excess (deficiency) of revenues over expenditures	<u>(11,380)</u>	<u>(11,380)</u>	<u>65,853</u>	<u>77,233</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>13,000</u>	<u>(240,518)</u>	<u>(240,518)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>(240,518)</u>	<u>(240,518)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(647,361)</u>	<u>(647,361)</u>
Total Extraordinary Item	<u>-</u>	<u>-</u>	<u>(647,361)</u>	<u>(647,361)</u>
Net change in fund balance	<u>\$ 1,620</u>	<u>\$ (251,898)</u>	<u>(822,026)</u>	<u>\$ -</u>
Fund balance (deficit) - July 1, 2017			<u>(1,153,646)</u>	
Fund balance (deficit) - June 30, 2018			<u>\$ (1,975,672)</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ 530,610	\$ 530,610	\$ 53,840	\$ (476,770)
Total Revenues	<u>530,610</u>	<u>530,610</u>	<u>53,840</u>	<u>(476,770)</u>
<u>EXPENDITURES</u>				
Current:				
Community Development Program	<u>30,500</u>	<u>30,500</u>	<u>28,923</u>	<u>1,577</u>
Total Expenditures	<u>30,500</u>	<u>30,500</u>	<u>28,923</u>	<u>1,577</u>
Excess (deficiency) of revenues over expenditures	<u>500,110</u>	<u>500,110</u>	<u>24,917</u>	<u>(475,193)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(1,736,284)</u>	<u>(431,000)</u>	<u>(293,768)</u>	<u>137,232</u>
Total Other Financing Sources (Uses)	<u>(1,736,284)</u>	<u>(431,000)</u>	<u>(293,768)</u>	<u>137,232</u>
Net change in fund balance	<u>\$ (1,236,174)</u>	<u>\$ 69,110</u>	<u>(268,851)</u>	<u>\$ (337,961)</u>
Fund balance - July 1, 2017			<u>32,433,520</u>	
Fund balance - June 30, 2018			<u>\$ 32,164,669</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.

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 B 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, 2018

	Special Revenue Funds					
	Clean Stormwater	Underground Utilities	Parking Improvement	Subdivision Park	Art in Public Places	General Plan Surcharge
ASSETS						
Cash and investments	\$ 1,428	\$ 994,460	\$ 8,931	\$ 484,589	\$ 133,117	\$ 360,853
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Taxes receivable	2,386	-	-	-	-	-
Total Assets	\$ 3,814	\$ 994,460	\$ 8,931	\$ 484,589	\$ 133,117	\$ 360,853
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ 750	\$ -	\$ 51	\$ -	\$ -	\$ 32,577
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	750	-	51	-	-	32,577
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Restricted	3,064	994,460	8,880	484,589	133,117	328,276
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	3,064	994,460	8,880	484,589	133,117	328,276
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 3,814	\$ 994,460	\$ 8,931	\$ 484,589	\$ 133,117	\$ 360,853

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	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	\$ 88,809	\$ 413,640	\$ 1,137,919	\$ 688,607	\$ 242,388	\$ 44,561
Cash with fiscal agent	-	-	40,000	-	-	-
Accounts receivable	-	-	-	-	5,737	-
Interest receivable	-	-	-	-	19	-
Taxes receivable	-	-	-	-	2	389
Total Assets	<u>\$ 88,809</u>	<u>\$ 413,640</u>	<u>\$ 1,177,919</u>	<u>\$ 688,607</u>	<u>\$ 248,146</u>	<u>\$ 44,950</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ 100	\$ 5,819	\$ -	\$ 93	\$ -	\$ 7,078
Accrued liabilities	-	-	-	-	3,053	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	2,703	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>100</u>	<u>5,819</u>	<u>-</u>	<u>93</u>	<u>5,756</u>	<u>7,078</u>
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Restricted	-	407,821	1,177,919	688,514	242,390	37,872
Assigned	88,709	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>88,709</u>	<u>407,821</u>	<u>1,177,919</u>	<u>688,514</u>	<u>242,390</u>	<u>37,872</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 88,809</u>	<u>\$ 413,640</u>	<u>\$ 1,177,919</u>	<u>\$ 688,607</u>	<u>\$ 248,146</u>	<u>\$ 44,950</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	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	\$ 70,936	\$ 7,490	\$ 61,479	\$ 113,664	\$ 44,200	\$ 10,252
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Taxes receivable	-	64	138	41	88	-
Total Assets	<u>\$ 70,936</u>	<u>\$ 7,554</u>	<u>\$ 61,617</u>	<u>\$ 113,705</u>	<u>\$ 44,288</u>	<u>\$ 10,252</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	\$ -	\$ 729	\$ 603	\$ 605	\$ 250	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>729</u>	<u>603</u>	<u>605</u>	<u>250</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
FUND BALANCES (DEFICITS):						
Restricted	70,936	6,825	61,014	113,100	44,038	10,252
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>70,936</u>	<u>6,825</u>	<u>61,014</u>	<u>113,100</u>	<u>44,038</u>	<u>10,252</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 70,936</u>	<u>\$ 7,554</u>	<u>\$ 61,617</u>	<u>\$ 113,705</u>	<u>\$ 44,288</u>	<u>\$ 10,252</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Special Revenue Funds				
	<u>State Gas Tax</u>	<u>Special Projects Police</u>	<u>COPS Grant</u>	<u>State & Federal Grant Fund</u>	<u>Private Grant Fund</u>
ASSETS					
Cash and investments	\$ 1,142,794	\$ 115,472	\$ 287,574	\$ -	\$ 37,600
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	-	3,272	(1)	145,024	-
Interest receivable	-	-	-	-	-
Taxes receivable	68,147	-	-	-	-
Total Assets	<u>\$ 1,210,941</u>	<u>\$ 118,744</u>	<u>\$ 287,573</u>	<u>\$ 145,024</u>	<u>\$ 37,600</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ 9,860	\$ 4,513	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	55,545	-
Unearned revenue	-	-	-	87,471	15,469
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>9,860</u>	<u>4,513</u>	<u>143,016</u>	<u>15,469</u>
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES (DEFICITS):					
Restricted	1,210,941	108,884	283,060	2,008	22,131
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>1,210,941</u>	<u>108,884</u>	<u>283,060</u>	<u>2,008</u>	<u>22,131</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 1,210,941</u>	<u>\$ 118,744</u>	<u>\$ 287,573</u>	<u>\$ 145,024</u>	<u>\$ 37,600</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Capital Project Funds			
	Measure B Marin VRF	Measure A Street Bonds	Parks Measure A	Clean Stormwater CIP
ASSETS				
Cash and investments	\$ 466,529	\$ 774,130	\$ 347,713	\$ 248,069
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	474,244	-	-
Interest receivable	-	-	-	-
Taxes receivable	-	-	-	-
Total Assets	<u>\$ 466,529</u>	<u>\$ 1,248,374</u>	<u>\$ 347,713</u>	<u>\$ 248,069</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 1,376	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Advances from other funds	-	-	620,000	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>621,376</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES (DEFICITS):				
Restricted	466,529	1,248,374	-	248,069
Assigned	-	-	-	-
Unassigned	-	-	(273,663)	-
Total Fund Balances (Deficits)	<u>466,529</u>	<u>1,248,374</u>	<u>(273,663)</u>	<u>248,069</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 466,529</u>	<u>\$ 1,248,374</u>	<u>\$ 347,713</u>	<u>\$ 248,069</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Capital Projects		Debt Service Funds		Total Non-major Governmental Funds
	Street and Storm Drain Maintenance	Community Facilities Maintenance	General Obligation Bond	Pension Obligations Bond Fund	
ASSETS					
Cash and investments	\$ 268,390	\$ -	\$ 1,971,923	\$ -	\$ 10,567,517
Cash with fiscal agent	-	-	-	-	40,000
Accounts receivable	-	-	-	-	628,276
Interest receivable	-	-	-	-	19
Taxes receivable	-	-	7,106	-	78,361
Total Assets	<u>\$ 268,390</u>	<u>\$ -</u>	<u>\$ 1,979,029</u>	<u>\$ -</u>	<u>\$ 11,314,173</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 64,404
Accrued liabilities	-	-	-	-	3,053
Due to other funds	-	20,152	-	2,499	78,196
Unearned revenue	-	-	-	-	105,643
Advances from other funds	-	-	-	-	620,000
Total Liabilities	<u>-</u>	<u>20,152</u>	<u>-</u>	<u>2,499</u>	<u>871,296</u>
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES (DEFICITS):					
Restricted	268,390	-	1,979,029	-	10,650,482
Assigned	-	-	-	-	88,709
Unassigned	-	(20,152)	-	(2,499)	(296,314)
Total Fund Balances (Deficits)	<u>268,390</u>	<u>(20,152)</u>	<u>1,979,029</u>	<u>(2,499)</u>	<u>10,442,877</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 268,390</u>	<u>\$ -</u>	<u>\$ 1,979,029</u>	<u>\$ -</u>	<u>\$ 11,314,173</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 369,240	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	56,767
Use of money and property	456	11,717	675	2,994	1,541	4,232
Charges for services	-	-	-	43,152	23,697	87,125
Other revenue	-	-	-	-	-	-
Total Revenues	<u>369,696</u>	<u>11,717</u>	<u>675</u>	<u>46,146</u>	<u>25,238</u>	<u>148,124</u>
<u>EXPENDITURES</u>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	557	-	-	-
Public works	253,438	-	-	-	-	115,106
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>253,438</u>	<u>-</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>115,106</u>
Excess (Deficiency) of Revenues over Expenditures	<u>116,258</u>	<u>11,717</u>	<u>118</u>	<u>46,146</u>	<u>25,238</u>	<u>33,018</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	-	-	-	352,479	-	-
Transfers out	(115,000)	-	(34,440)	(182,654)	(17,500)	-
Total Other Financing Sources (Uses)	<u>(115,000)</u>	<u>-</u>	<u>(34,440)</u>	<u>169,825</u>	<u>(17,500)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>						
Extraordinary Loss	-	-	-	(352,479)	-	-
Net change in fund balances	1,258	11,717	(34,322)	(136,508)	7,738	33,018
Fund balances (deficits) - July 1, 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>
Fund balances (deficits) - June 30, 2018	<u>\$ 3,064</u>	<u>\$ 994,460</u>	<u>\$ 8,880</u>	<u>\$ 484,589</u>	<u>\$ 133,117</u>	<u>\$ 328,276</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds					
	Automation Surcharge	Hamilton Community Facilities	Hamilton Arts Center	Pointe Marin CFD	Chapter 27 Assessment	Landscaping Assessment District - San Marin
<u>REVENUES</u>						
Taxes	\$ -	\$ 569,119	\$ -	\$ 188,285	\$ -	\$ 56,748
Intergovernmental	-	-	-	-	-	-
Use of money and property	1,038	3,232	470,045	7,182	2,854	413
Charges for services	94,137	-	-	-	316	-
Other revenue	-	230,000	-	-	-	-
Total Revenues	<u>95,175</u>	<u>802,351</u>	<u>470,045</u>	<u>195,467</u>	<u>3,170</u>	<u>57,161</u>
<u>EXPENDITURES</u>						
Current:						
General government	-	-	246,613	650	-	-
Public safety	-	-	-	-	-	-
Public works	102,956	499,543	-	123,265	-	49,138
Culture and recreation	-	19,587	-	-	-	-
Community development	20,385	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>123,341</u>	<u>519,130</u>	<u>246,613</u>	<u>123,915</u>	<u>-</u>	<u>49,138</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(28,166)</u>	<u>283,221</u>	<u>223,432</u>	<u>71,552</u>	<u>3,170</u>	<u>8,023</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	-	8,683	-	-	-	-
Transfers out	(1,991)	(416,188)	-	(6,335)	-	-
Total Other Financing Sources (Uses)	<u>(1,991)</u>	<u>(407,505)</u>	<u>-</u>	<u>(6,335)</u>	<u>-</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>						
Extraordinary Loss	-	-	-	-	-	-
Net change in fund balances	(30,157)	(124,284)	223,432	65,217	3,170	8,023
Fund balances (deficits) - July 1, 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>
Fund balances (deficits) - June 30, 2018	<u>\$ 88,709</u>	<u>\$ 407,821</u>	<u>\$ 1,177,919</u>	<u>\$ 688,514</u>	<u>\$ 242,390</u>	<u>\$ 37,872</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	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
<u>REVENUES</u>						
Taxes	\$ -	\$ 9,799	\$ 21,098	\$ 6,204	\$ 13,547	\$ -
Intergovernmental	-	-	-	-	-	-
Use of money and property	836	60	657	1,312	552	121
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>836</u>	<u>9,859</u>	<u>21,755</u>	<u>7,516</u>	<u>14,099</u>	<u>121</u>
<u>EXPENDITURES</u>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	6,094	9,190	2,846	1,420	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>6,094</u>	<u>9,190</u>	<u>2,846</u>	<u>1,420</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>836</u>	<u>3,765</u>	<u>12,565</u>	<u>4,670</u>	<u>12,679</u>	<u>121</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(8,683)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,683)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>						
Extraordinary Loss	-	-	-	-	-	-
Net change in fund balances	836	3,765	12,565	4,670	3,996	121
Fund balances (deficits) - July 1, 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>
Fund balances (deficits) - June 30, 2018	<u>\$ 70,936</u>	<u>\$ 6,825</u>	<u>\$ 61,014</u>	<u>\$ 113,100</u>	<u>\$ 44,038</u>	<u>\$ 10,252</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	<u>State Gas Tax</u>	<u>Special Projects Police</u>	<u>COPS Grant</u>	<u>State & Federal Grant Fund</u>	<u>Private Grant Fund</u>
<u>REVENUES</u>					
Taxes	\$ 1,488,554	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	121,966	144,934	172,399	-
Use of money and property	12,206	1,135	-	-	444
Charges for services	-	-	-	-	-
Other revenue	-	26,820	-	-	-
Total Revenues	<u>1,500,760</u>	<u>149,921</u>	<u>144,934</u>	<u>172,399</u>	<u>444</u>
<u>EXPENDITURES</u>					
Current:					
General government	-	-	-	-	-
Public safety	-	185,672	280,604	-	-
Public works	10,672	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>10,672</u>	<u>185,672</u>	<u>280,604</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,490,088</u>	<u>(35,751)</u>	<u>(135,670)</u>	<u>172,399</u>	<u>444</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	7,000	-	-	-
Transfers out	(1,213,054)	-	(39,380)	(172,399)	-
Total Other Financing Sources (Uses)	<u>(1,213,054)</u>	<u>7,000</u>	<u>(39,380)</u>	<u>(172,399)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>					
Extraordinary Loss	-	-	-	-	-
Net change in fund balances	277,034	(28,751)	(175,050)	-	444
Fund balances (deficits) - July 1, 2017	<u>933,907</u>	<u>137,635</u>	<u>458,110</u>	<u>2,008</u>	<u>21,687</u>
Fund balances (deficits) - June 30, 2018	<u>\$ 1,210,941</u>	<u>\$ 108,884</u>	<u>\$ 283,060</u>	<u>\$ 2,008</u>	<u>\$ 22,131</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Project Funds			
	Measure B Marin VRF	Measure A Street Bonds	Parks Measure A	Clean Stormwater CIP
<u>REVENUES</u>				
Taxes	\$ -	\$ 1,054,263	\$ 405,716	\$ -
Intergovernmental	-	-	-	-
Use of money and property	5,480	6,833	5,658	2,685
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>5,480</u>	<u>1,061,096</u>	<u>411,374</u>	<u>2,685</u>
<u>EXPENDITURES</u>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	46,375	-
Culture and recreation	-	-	222,701	-
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	3,030	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>272,106</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,480</u>	<u>1,061,096</u>	<u>139,268</u>	<u>2,685</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	45,000
Transfers out	-	(565,803)	(61,929)	(8,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(565,803)</u>	<u>(61,929)</u>	<u>37,000</u>
<u>EXTRAORDINARY ITEM</u>				
Extraordinary Loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,480	495,293	77,339	39,685
Fund balances (deficits) - July 1, 2017	<u>461,049</u>	<u>753,081</u>	<u>(351,002)</u>	<u>208,384</u>
Fund balances (deficits) - June 30, 2018	<u>\$ 466,529</u>	<u>\$ 1,248,374</u>	<u>\$ (273,663)</u>	<u>\$ 248,069</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Projects		Debt Service Fund		Total Non-major Governmental Funds
	Street and Storm Drain Maintenance	Community Center Maintenance	General Obligation Fund	Pension Obligations Bond Fund	
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ 1,976,812	\$ -	\$ 6,159,385
Intergovernmental	-	-	-	-	496,066
Use of money and property	3,162	(51)	16,391	-	563,860
Charges for services	-	-	-	-	248,427
Other revenue	-	-	-	127,424	384,244
Total Revenues	3,162	(51)	1,993,203	127,424	7,851,982
<u>EXPENDITURES</u>					
Current:					
General government	-	-	26,690	8,522	282,475
Public safety	-	-	-	-	466,833
Public works	-	-	-	-	1,220,043
Culture and recreation	-	-	-	-	242,288
Community development	-	-	-	-	20,385
Debt service:					
Principal	-	-	1,497,940	535,000	2,032,940
Interest and fiscal charges	-	-	284,363	799,752	1,087,145
Total Expenditures	-	-	1,808,993	1,343,274	5,352,109
Excess (Deficiency) of Revenues over Expenditures	3,162	(51)	184,210	(1,215,850)	2,499,873
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	1,213,351	1,626,513
Transfers out	-	-	-	-	(2,843,356)
Total Other Financing Sources (Uses)	-	-	-	1,213,351	(1,216,843)
<u>EXTRAORDINARY ITEM</u>					
Extraordinary Loss	-	(340,422)	-	-	(692,901)
Net change in fund balances	3,162	(340,473)	184,210	(2,499)	590,129
Fund balances (deficits) - July 1, 2017	265,228	320,321	1,794,819	-	9,852,748
Fund balances (deficits) - June 30, 2018	\$ 268,390	\$ (20,152)	\$ 1,979,029	\$ (2,499)	\$ 10,442,877

See accompanying notes to the basic financial statements.

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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Taxes and assessments	\$ 371,000	\$ 371,000	\$ 369,240	\$ (1,760)
Use of money and property	-	-	456	456
Total Revenues	<u>371,000</u>	<u>371,000</u>	<u>369,696</u>	<u>(1,304)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	15,900	15,900	15,792	108
Affordable housing	<u>235,972</u>	<u>235,972</u>	<u>237,646</u>	<u>(1,674)</u>
Total Public Works	<u>251,872</u>	<u>251,872</u>	<u>253,438</u>	<u>(1,566)</u>
Total Expenditures	<u>251,872</u>	<u>251,872</u>	<u>253,438</u>	<u>(1,566)</u>
Excess (deficiency) of revenues over expenditures	<u>119,128</u>	<u>119,128</u>	<u>116,258</u>	<u>(2,870)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>5,000</u>
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>5,000</u>
Net change in fund balance	<u>\$ (872)</u>	<u>\$ (872)</u>	<u>1,258</u>	<u>\$ 2,130</u>
Fund balance - July 1, 2017			<u>1,806</u>	
Fund balance - June 30, 2018			<u>\$ 3,064</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 7,300	\$ 7,300	\$ 11,717	\$ 4,417
Total Revenues	<u>7,300</u>	<u>7,300</u>	<u>11,717</u>	<u>4,417</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,300</u>	<u>7,300</u>	<u>11,717</u>	<u>4,417</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>\$ (267,213)</u>	<u>\$ (267,213)</u>	<u>11,717</u>	<u>\$ 278,930</u>
Fund balance - July 1, 2017			<u>982,743</u>	
Fund balance - June 30, 2018			<u>\$ 994,460</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 625	\$ 625	\$ 675	\$ 50
Total Revenues	<u>625</u>	<u>625</u>	<u>675</u>	<u>50</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Assessment districts	<u>550</u>	<u>550</u>	<u>557</u>	<u>(7)</u>
Total Expenditures	<u>550</u>	<u>550</u>	<u>557</u>	<u>(7)</u>
Excess (deficiency) of revenues over expenditures	<u>75</u>	<u>75</u>	<u>118</u>	<u>43</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(73,107)</u>	<u>(44,480)</u>	<u>(34,440)</u>	<u>10,040</u>
Total Other Financing Sources (Uses)	<u>(73,107)</u>	<u>(44,480)</u>	<u>(34,440)</u>	<u>10,040</u>
Net change in fund balance	<u>\$ (73,032)</u>	<u>\$ (44,405)</u>	<u>(34,322)</u>	<u>\$ 10,083</u>
Fund balance - July 1, 2017			<u>43,202</u>	
Fund balance - June 30, 2018			<u>\$ 8,880</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 3,500	\$ 3,500	\$ 2,994	\$ (506)
Charges for services	<u>30,000</u>	<u>30,000</u>	<u>43,152</u>	<u>13,152</u>
Total Revenues	<u>33,500</u>	<u>33,500</u>	<u>46,146</u>	<u>12,646</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>33,500</u>	<u>33,500</u>	<u>46,146</u>	<u>12,646</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	352,479	352,479
Transfers out	<u>(634,433)</u>	<u>(625,158)</u>	<u>(182,654)</u>	<u>442,504</u>
Total Other Financing Sources (Uses)	<u>(634,433)</u>	<u>(625,158)</u>	<u>169,825</u>	<u>794,983</u>
<u>EXTRAORDINARY ITEMS</u>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(352,479)</u>	<u>(352,479)</u>
Total Extraordinary Items	<u>-</u>	<u>-</u>	<u>(352,479)</u>	<u>(352,479)</u>
Net change in fund balance	<u>\$ (600,933)</u>	<u>\$ (591,658)</u>	<u>(136,508)</u>	<u>\$ 455,150</u>
Fund balance - July 1, 2017			<u>621,097</u>	
Fund balance - June 30, 2018			<u>\$ 484,589</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ 950	\$ 950	\$ 1,541	\$ 591
Charges for services	<u>1,500</u>	<u>1,500</u>	<u>23,697</u>	<u>22,197</u>
Total Revenues	<u>2,450</u>	<u>2,450</u>	<u>25,238</u>	<u>22,788</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,450</u>	<u>2,450</u>	<u>25,238</u>	<u>22,788</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(38,901)</u>	<u>(38,901)</u>	<u>(17,500)</u>	<u>21,401</u>
Total Other Financing Sources (Uses)	<u>(38,901)</u>	<u>(38,901)</u>	<u>(17,500)</u>	<u>21,401</u>
Net change in fund balance	<u>\$ (36,451)</u>	<u>\$ (36,451)</u>	<u>7,738</u>	<u>\$ 44,189</u>
Fund balance - July 1, 2017			<u>125,379</u>	
Fund balance - June 30, 2018			<u>\$ 133,117</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ -	\$ -	\$ 56,767	\$ 56,767
Use of money and property	3,100	3,100	4,232	1,132
Charges for services	<u>76,000</u>	<u>76,000</u>	<u>87,125</u>	<u>11,125</u>
Total Revenues	<u>79,100</u>	<u>79,100</u>	<u>148,124</u>	<u>69,024</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Planning	<u>250,000</u>	<u>250,000</u>	<u>115,106</u>	<u>134,894</u>
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>115,106</u>	<u>134,894</u>
Net change in fund balance	<u>\$ (170,900)</u>	<u>\$ (170,900)</u>	<u>33,018</u>	<u>\$ 203,918</u>
Fund balance - July 1, 2017			<u>295,258</u>	
Fund balance - June 30, 2018			<u>\$ 328,276</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 1,050	\$ 1,050	\$ 1,038	\$ (12)
Charges for services	<u>80,000</u>	<u>80,000</u>	<u>94,137</u>	<u>14,137</u>
Total Revenues	<u>81,050</u>	<u>81,050</u>	<u>95,175</u>	<u>14,125</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Administration	<u>121,783</u>	<u>121,783</u>	<u>123,341</u>	<u>(1,558)</u>
Total Expenditures	<u>121,783</u>	<u>121,783</u>	<u>123,341</u>	<u>(1,558)</u>
Excess (deficiency) of revenues over expenditures	<u>(40,733)</u>	<u>(40,733)</u>	<u>(28,166)</u>	<u>12,567</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(2,019)</u>	<u>(2,019)</u>	<u>(1,991)</u>	<u>28</u>
Total Other Financing Sources (Uses)	<u>(2,019)</u>	<u>(2,019)</u>	<u>(1,991)</u>	<u>28</u>
Net change in fund balance	<u>\$ (42,752)</u>	<u>\$ (42,752)</u>	<u>(30,157)</u>	<u>\$ 12,595</u>
Fund balance - July 1, 2017			<u>118,866</u>	
Fund balance - June 30, 2018			<u>\$ 88,709</u>	

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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 569,119	\$ 569,119	\$ 569,119	\$ -
Use of money and property	1,950	1,950	3,232	1,282
Other revenues	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
Total Revenues	<u>801,069</u>	<u>801,069</u>	<u>802,351</u>	<u>1,282</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Hamilton CFD maintenance	<u>555,350</u>	<u>555,342</u>	<u>519,130</u>	<u>36,212</u>
Total Expenditures	<u>555,350</u>	<u>555,342</u>	<u>519,130</u>	<u>36,212</u>
Excess (deficiency) of revenues over expenditures	<u>245,719</u>	<u>245,727</u>	<u>283,221</u>	<u>37,494</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	8,683	8,683	8,683	-
Transfers out	<u>(326,961)</u>	<u>(618,316)</u>	<u>(416,188)</u>	<u>202,128</u>
Total Other Financing Sources (Uses)	<u>(318,278)</u>	<u>(609,633)</u>	<u>(407,505)</u>	<u>202,128</u>
Net change in fund balance	<u>\$ (72,559)</u>	<u>\$ (363,906)</u>	<u>(124,284)</u>	<u>\$ 239,622</u>
Fund balance - July 1, 2017			<u>532,105</u>	
Fund balance - June 30, 2018			<u>\$ 407,821</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ <u>448,980</u>	\$ <u>448,980</u>	\$ <u>470,045</u>	\$ <u>21,065</u>
Total Revenues	<u>448,980</u>	<u>448,980</u>	<u>470,045</u>	<u>21,065</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
Citywide programs	<u>278,895</u>	<u>278,895</u>	<u>246,613</u>	<u>32,282</u>
Total Expenditures	<u>278,895</u>	<u>278,895</u>	<u>246,613</u>	<u>32,282</u>
Net change in fund balance	<u>\$ 170,085</u>	<u>\$ 170,085</u>	<u>223,432</u>	<u>\$ 53,347</u>
Fund balance - July 1, 2017			<u>954,487</u>	
Fund balance - June 30, 2018			<u>\$ 1,177,919</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Taxes and assessments	\$ 188,285	\$ 188,285	\$ 188,285	\$ -
Use of money and property	<u>3,550</u>	<u>3,550</u>	<u>7,182</u>	<u>3,632</u>
Total Revenues	<u>191,835</u>	<u>191,835</u>	<u>195,467</u>	<u>3,632</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Pointe Marin CFD maintenance	<u>209,668</u>	<u>209,661</u>	<u>123,915</u>	<u>85,746</u>
Total Expenditures	<u>209,668</u>	<u>209,661</u>	<u>123,915</u>	<u>85,746</u>
Excess (deficiency) of revenues over expenditures	<u>(17,833)</u>	<u>(17,826)</u>	<u>71,552</u>	<u>89,378</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(6,320)</u>	<u>(6,320)</u>	<u>(6,335)</u>	<u>(15)</u>
Total Other Financing Sources (Uses)	<u>(6,320)</u>	<u>(6,320)</u>	<u>(6,335)</u>	<u>(15)</u>
Net change in fund balance	<u>\$ (24,153)</u>	<u>\$ (24,146)</u>	<u>65,217</u>	<u>\$ 89,363</u>
Fund balance - July 1, 2017			<u>623,297</u>	
Fund balance - June 30, 2018			<u>\$ 688,514</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 1,525	\$ 1,525	\$ 2,854	\$ 1,329
Charges for services	<u>338</u>	<u>338</u>	<u>316</u>	<u>(22)</u>
Total Revenues	<u>1,863</u>	<u>1,863</u>	<u>3,170</u>	<u>1,307</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>3,170</u>	<u>1,307</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>3,170</u>	<u>\$ 8,227</u>
Fund balance - July 1, 2017			<u>239,220</u>	
Fund balance - June 30, 2018			<u>\$ 242,390</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Taxes and assessments	\$ 59,950	\$ 59,950	\$ 56,748	\$ (3,202)
Use of money and property	<u>130</u>	<u>130</u>	<u>413</u>	<u>283</u>
Total Revenues	<u>60,080</u>	<u>60,080</u>	<u>57,161</u>	<u>(2,919)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>62,205</u>	<u>62,205</u>	<u>49,138</u>	<u>13,067</u>
Total Expenditures	<u>62,205</u>	<u>62,205</u>	<u>49,138</u>	<u>13,067</u>
Net change in fund balance	<u>\$ (2,125)</u>	<u>\$ (2,125)</u>	<u>8,023</u>	<u>\$ 10,148</u>
Fund balance - July 1, 2017			<u>29,849</u>	
Fund balance - June 30, 2018			<u>\$ 37,872</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 435	\$ 435	\$ 836	\$ 401
Total Revenues	<u>435</u>	<u>435</u>	<u>836</u>	<u>401</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>836</u>	<u>\$ 401</u>
Fund balance - July 1, 2017			<u>70,100</u>	
Fund balance - June 30, 2018			<u>\$ 70,936</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Taxes and assessments	\$ 9,895	\$ 9,895	\$ 9,799	\$ (96)
Use of money and property	<u>15</u>	<u>15</u>	<u>60</u>	<u>45</u>
Total Revenues	<u>9,910</u>	<u>9,910</u>	<u>9,859</u>	<u>(51)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>10,120</u>	<u>10,120</u>	<u>6,094</u>	<u>4,026</u>
Total Expenditures	<u>10,120</u>	<u>10,120</u>	<u>6,094</u>	<u>4,026</u>
Net change in fund balance	<u>\$ (210)</u>	<u>\$ (210)</u>	<u>3,765</u>	<u>\$ 3,975</u>
Fund balance - July 1, 2017			<u>3,060</u>	
Fund balance - June 30, 2018			<u>\$ 6,825</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Taxes and assessments	\$ 21,235	\$ 21,235	\$ 21,098	\$ (137)
Use of money and property	<u>280</u>	<u>280</u>	<u>657</u>	<u>377</u>
Total Revenues	<u>21,515</u>	<u>21,515</u>	<u>21,755</u>	<u>240</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>31,170</u>	<u>31,170</u>	<u>9,190</u>	<u>21,980</u>
Total Expenditures	<u>31,170</u>	<u>31,170</u>	<u>9,190</u>	<u>21,980</u>
Net change in fund balance	<u>\$ (9,655)</u>	<u>\$ (9,655)</u>	<u>12,565</u>	<u>\$ 22,220</u>
Fund balance - July 1, 2017			<u>48,449</u>	
Fund balance - June 30, 2018			<u>\$ 61,014</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Taxes and assessments	\$ 6,294	\$ 6,294	\$ 6,204	\$ (90)
Use of money and property	<u>815</u>	<u>815</u>	<u>1,312</u>	<u>497</u>
Total Revenues	<u>7,109</u>	<u>7,109</u>	<u>7,516</u>	<u>407</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>2,850</u>	<u>2,850</u>	<u>2,846</u>	<u>4</u>
Total Expenditures	<u>2,850</u>	<u>2,850</u>	<u>2,846</u>	<u>4</u>
Net change in fund balance	<u>\$ 4,259</u>	<u>\$ 4,259</u>	<u>4,670</u>	<u>\$ 411</u>
Fund balance - July 1, 2017			<u>108,430</u>	
Fund balance - June 30, 2018			<u>\$ 113,100</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 13,585	\$ 13,585	\$ 13,547	\$ (38)
Use of money and property	<u>230</u>	<u>230</u>	<u>552</u>	<u>322</u>
Total Revenues	<u>13,815</u>	<u>13,815</u>	<u>14,099</u>	<u>284</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Assessment districts	<u>4,962</u>	<u>4,962</u>	<u>1,420</u>	<u>3,542</u>
Total Expenditures	<u>4,962</u>	<u>4,962</u>	<u>1,420</u>	<u>3,542</u>
Excess (deficiency) of revenues over expenditures	<u>8,853</u>	<u>8,853</u>	<u>12,679</u>	<u>3,826</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(8,683)</u>	<u>(8,683)</u>	<u>(8,683)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,683)</u>	<u>(8,683)</u>	<u>(8,683)</u>	<u>-</u>
Net change in fund balance	<u>\$ 170</u>	<u>\$ 170</u>	<u>3,996</u>	<u>\$ 3,826</u>
Fund balance - July 1, 2017			<u>40,042</u>	
Fund balance - June 30, 2018			<u>\$ 44,038</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ <u>80</u>	\$ <u>80</u>	\$ <u>121</u>	\$ <u>41</u>
Total Revenues	<u>80</u>	<u>80</u>	<u>121</u>	<u>41</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 80</u>	<u>\$ 80</u>	<u>121</u>	<u>\$ 41</u>
Fund balance - July 1, 2017			<u>10,131</u>	
Fund balance - June 30, 2018			<u>\$ 10,252</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Taxes and assessments	\$ 1,531,360	\$ 1,531,360	\$ 1,488,554	\$ (42,806)
Use of money and property	<u>8,600</u>	<u>8,600</u>	<u>12,206</u>	<u>3,606</u>
Total Revenues	<u>1,539,960</u>	<u>1,539,960</u>	<u>1,500,760</u>	<u>(39,200)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Community development administration	<u>-</u>	<u>21,346</u>	<u>10,672</u>	<u>10,674</u>
Total Expenditures	<u>-</u>	<u>21,346</u>	<u>10,672</u>	<u>10,674</u>
Excess (deficiency) of revenues over expenditures	<u>1,539,960</u>	<u>1,518,614</u>	<u>1,490,088</u>	<u>(28,526)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(2,030,673)</u>	<u>(2,031,051)</u>	<u>(1,213,054)</u>	<u>817,997</u>
Total Other Financing Sources (Uses)	<u>(2,030,673)</u>	<u>(2,031,051)</u>	<u>(1,213,054)</u>	<u>817,997</u>
Net change in fund balance	<u>\$ (490,713)</u>	<u>\$ (512,437)</u>	<u>277,034</u>	<u>\$ 789,471</u>
Fund balance - July 1, 2017			<u>933,907</u>	
Fund balance - June 30, 2018			<u>\$ 1,210,941</u>	

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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Intergovernmental	\$ 41,058	\$ 141,253	\$ 121,966	\$ (19,287)
Use of money and property	1,120	1,120	1,135	15
Other revenues	<u>16,800</u>	<u>16,800</u>	<u>26,820</u>	<u>10,020</u>
Total Revenues	<u>58,978</u>	<u>159,173</u>	<u>149,921</u>	<u>(9,252)</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Police patrol	35,500	63,314	73,392	(10,078)
Crime prevention	1,200	1,200	11,734	(10,534)
Special projects	<u>63,458</u>	<u>139,034</u>	<u>100,546</u>	<u>38,488</u>
Total Public Safety	<u>100,158</u>	<u>203,548</u>	<u>185,672</u>	<u>17,876</u>
Total Expenditures	<u>100,158</u>	<u>203,548</u>	<u>185,672</u>	<u>17,876</u>
Excess (deficiency) of revenues over expenditures	<u>(41,180)</u>	<u>(44,375)</u>	<u>(35,751)</u>	<u>8,624</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>\$ (34,180)</u>	<u>\$ (37,375)</u>	<u>(28,751)</u>	<u>\$ 8,624</u>
Fund balance - July 1, 2017			<u>137,635</u>	
Fund balance - June 30, 2018			<u>\$ 108,884</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>144,934</u>	\$ <u>44,934</u>
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>144,934</u>	<u>44,934</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety				
Police special services	<u>200,000</u>	<u>200,000</u>	<u>280,604</u>	<u>(80,604)</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>280,604</u>	<u>(80,604)</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(135,670)</u>	<u>(35,670)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>-</u>	<u>(25,349)</u>	<u>(39,380)</u>	<u>(14,031)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,349)</u>	<u>(39,380)</u>	<u>(14,031)</u>
Net change in fund balance	<u>\$ (100,000)</u>	<u>\$ (125,349)</u>	<u>(175,050)</u>	<u>\$ (49,701)</u>
Fund balance - July 1, 2017			<u>458,110</u>	
Fund balance - June 30, 2018			<u>\$ 283,060</u>	

CITY OF NOVATO
STATE & 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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ <u>1,368,683</u>	\$ <u>1,368,683</u>	\$ <u>172,399</u>	\$ <u>(1,196,284)</u>
Total Revenues	<u>1,368,683</u>	<u>1,368,683</u>	<u>172,399</u>	<u>(1,196,284)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,368,683</u>	<u>1,368,683</u>	<u>172,399</u>	<u>(1,196,284)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(1,368,683)</u>	<u>(1,843,637)</u>	<u>(172,399)</u>	<u>1,671,238</u>
Total Other Financing Sources (Uses)	<u>(1,368,683)</u>	<u>(1,843,637)</u>	<u>(172,399)</u>	<u>1,671,238</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(474,954)</u>	<u>-</u>	\$ <u>474,954</u>
Fund balance - July 1, 2017			<u>2,008</u>	
Fund balance - June 30, 2018			\$ <u>2,008</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 305	\$ 305	\$ 444	\$ 139
Total Revenues	<u>305</u>	<u>305</u>	<u>444</u>	<u>139</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 305</u>	<u>\$ 305</u>	<u>444</u>	<u>\$ 139</u>
Fund balance - July 1, 2017			<u>21,687</u>	
Fund balance - June 30, 2018			<u>\$ 22,131</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	<u>1,150</u>	<u>1,150</u>	<u>5,480</u>	<u>4,330</u>
Total Revenues	<u>1,150</u>	<u>1,150</u>	<u>5,480</u>	<u>4,330</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>5,480</u>	<u>\$ 4,330</u>
Fund balance - July 1, 2017			<u>461,049</u>	
Fund balance - June 30, 2018			<u>\$ 466,529</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 2,481,898	\$ 2,481,898	\$ 1,054,263	\$ (1,427,635)
Use of money and property	<u>8,600</u>	<u>8,600</u>	<u>6,833</u>	<u>(1,767)</u>
Total Revenues	<u>2,490,498</u>	<u>2,490,498</u>	<u>1,061,096</u>	<u>(1,429,402)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,490,498</u>	<u>2,490,498</u>	<u>1,061,096</u>	<u>(1,429,402)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(3,341,833)</u>	<u>(3,241,428)</u>	<u>(565,803)</u>	<u>2,675,625</u>
Total Other Financing Sources (Uses)	<u>(3,341,833)</u>	<u>(3,241,428)</u>	<u>(565,803)</u>	<u>2,675,625</u>
Net change in fund balance	<u>\$ (851,335)</u>	<u>\$ (750,930)</u>	<u>495,293</u>	<u>\$ 1,246,223</u>
Fund balance - July 1, 2017			<u>753,081</u>	
Fund balance - June 30, 2018			<u>\$ 1,248,374</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Taxes and assessments	\$ 421,128	\$ 421,128	\$ 405,716	\$ (15,412)
Use of money and property	<u>4,550</u>	<u>4,550</u>	<u>5,658</u>	<u>1,108</u>
Total Revenues	<u>425,678</u>	<u>425,678</u>	<u>411,374</u>	<u>(14,304)</u>
<u>EXPENDITURES</u>				
Current:				
Public Works				
Street tree/ parkway maintenance	<u>89,042</u>	<u>89,042</u>	<u>46,375</u>	<u>42,667</u>
Total Public Works	<u>89,042</u>	<u>89,042</u>	<u>46,375</u>	<u>42,667</u>
Culture and Recreation				
Parks maintenance	114,829	114,829	145,522	(30,693)
Special events	<u>63,477</u>	<u>63,477</u>	<u>77,179</u>	<u>(13,702)</u>
Total Culture and Recreation	<u>178,306</u>	<u>178,306</u>	<u>222,701</u>	<u>(44,395)</u>
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>3,030</u>	<u>(3,030)</u>
Total Expenditures	<u>267,348</u>	<u>267,348</u>	<u>272,106</u>	<u>(1,728)</u>
Excess (deficiency) of revenues over expenditures	<u>158,330</u>	<u>158,330</u>	<u>139,268</u>	<u>(19,062)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(100,607)</u>	<u>(190,168)</u>	<u>(61,929)</u>	<u>128,239</u>
Total Other Financing Sources (Uses)	<u>(100,607)</u>	<u>(190,168)</u>	<u>(61,929)</u>	<u>128,239</u>
Net change in fund balance	<u>\$ 57,723</u>	<u>\$ (31,838)</u>	<u>77,339</u>	<u>\$ 109,177</u>
Fund balance (deficit) - July 1, 2017			<u>(351,002)</u>	
Fund balance (deficit) - June 30, 2018			<u>\$ (273,663)</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Use of money and property	\$ 1,550	\$ 1,550	\$ 2,685	\$ 1,135
Total Revenues	<u>1,550</u>	<u>1,550</u>	<u>2,685</u>	<u>1,135</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>2,685</u>	<u>1,135</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	45,000	45,000	45,000	-
Transfers out	<u>(58,805)</u>	<u>(61,909)</u>	<u>(8,000)</u>	<u>53,909</u>
Total Other Financing Sources (Uses)	<u>(13,805)</u>	<u>(16,909)</u>	<u>37,000</u>	<u>53,909</u>
Net change in fund balance	<u>\$ (12,255)</u>	<u>\$ (15,359)</u>	<u>39,685</u>	<u>\$ 55,044</u>
Fund balance - July 1, 2017			<u>208,384</u>	
Fund balance - June 30, 2018			<u>\$ 248,069</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, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Use of money and property	\$ <u>2,075</u>	\$ <u>2,075</u>	\$ <u>3,162</u>	\$ <u>1,087</u>
Total Revenues	<u>2,075</u>	<u>2,075</u>	<u>3,162</u>	<u>1,087</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,075</u>	<u>2,075</u>	<u>3,162</u>	<u>1,087</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>2,075</u>	\$ <u>2,075</u>	<u>3,162</u>	\$ <u>1,087</u>
Fund balance - July 1, 2017			<u>265,228</u>	
Fund balance - June 30, 2018			\$ <u>268,390</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 75	\$ 75	\$ (51)	\$ (126)
Total Revenues	<u>75</u>	<u>75</u>	<u>(51)</u>	<u>(126)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>75</u>	<u>75</u>	<u>(51)</u>	<u>(126)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>-</u>	<u>(54,500)</u>	<u>-</u>	<u>54,500</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(54,500)</u>	<u>-</u>	<u>54,500</u>
<u>EXTRAORDINARY ITEM</u>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(340,422)</u>	<u>(340,422)</u>
Total Extraordinary Item	<u>-</u>	<u>-</u>	<u>(340,422)</u>	<u>(340,422)</u>
Net change in fund balance	<u>\$ 75</u>	<u>\$ (54,425)</u>	<u>(340,473)</u>	<u>\$ (286,048)</u>
Fund balance - July 1, 2017			<u>320,321</u>	
Fund balance (deficit) - June 30, 2018			<u>\$ (20,152)</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Taxes and assessments	\$ 1,729,656	\$ 1,729,656	\$ 1,976,812	\$ 247,156
Use of money and property	<u>7,900</u>	<u>7,900</u>	<u>16,391</u>	<u>8,491</u>
Total Revenues	<u>1,737,556</u>	<u>1,737,556</u>	<u>1,993,203</u>	<u>255,647</u>
<u>EXPENDITURES</u>				
Current:				
General Government				
General administration	<u>26,425</u>	<u>26,425</u>	<u>26,690</u>	<u>(265)</u>
Debt service:				
Principal	1,497,940	1,497,940	1,497,940	-
Interest and fiscal charges	<u>284,363</u>	<u>284,363</u>	<u>284,363</u>	<u>-</u>
Total Expenditures	<u>1,808,728</u>	<u>1,808,728</u>	<u>1,808,993</u>	<u>-</u>
Net change in fund balance	<u>\$ (71,172)</u>	<u>\$ (71,172)</u>	<u>184,210</u>	<u>\$ 255,382</u>
Fund balance - July 1, 2017			<u>1,794,819</u>	
Fund balance - June 30, 2018			<u>\$ 1,979,029</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, 2018

	2017 - 2018		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Other revenues	\$ -	\$ -	\$ 127,424	\$ 127,424
Total Revenues	-	-	127,424	127,424
<u>EXPENDITURES</u>				
Current:				
General Government				
General administration	5,200	5,200	8,522	(3,322)
Debt service:				
Principal	535,000	535,000	535,000	-
Interest and fiscal charges	799,752	799,752	799,752	-
Total Expenditures	1,339,952	1,339,952	1,343,274	-
Excess (deficiency) of revenues over expenditures	(1,339,952)	(1,339,952)	(1,215,850)	124,102
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,339,952	1,339,952	1,213,351	(126,601)
Total Other Financing Sources (Uses)	1,339,952	1,339,952	1,213,351	(126,601)
Net change in fund balance	\$ -	\$ -	(2,499)	\$ (2,499)
Fund balance - July 1, 2017			-	
Fund balance (deficit) - June 30, 2018			\$ (2,499)	

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, 2018

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	\$ -	\$ 5,059,572	\$ 392,985	\$ -	\$ 5,452,557
Accounts receivable, net	<u>6,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,853</u>
Total Current Assets	<u>6,853</u>	<u>5,059,572</u>	<u>392,985</u>	<u>-</u>	<u>5,459,410</u>
Non Current Assets					
Advances to other funds	-	224,318	-	-	224,318
Capital assets, net	<u>-</u>	<u>1,517,229</u>	<u>-</u>	<u>-</u>	<u>1,517,229</u>
Total Non-Current Assets	<u>-</u>	<u>1,741,547</u>	<u>-</u>	<u>-</u>	<u>1,741,547</u>
Total Assets	<u>6,853</u>	<u>6,801,119</u>	<u>392,985</u>	<u>-</u>	<u>7,200,957</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
2018 pension contributions	45,672	-	-	-	45,672
Changes in the net pension liability	<u>92,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,439</u>
Total Deferred Outflows of Resources	<u>138,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,111</u>
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	14,724	32,114	3,792	-	50,630
Due to other funds	802,867	-	-	-	802,867
Claims payable - current	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,758</u>	<u>699,758</u>
Total Current Liabilities	<u>817,591</u>	<u>32,114</u>	<u>3,792</u>	<u>699,758</u>	<u>1,553,255</u>
Non-Current Liabilities					
Claims payable	-	-	-	1,809,136	1,809,136
Net pension liability	<u>537,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,337</u>
Total Non-Current Liabilities	<u>537,337</u>	<u>-</u>	<u>-</u>	<u>1,809,136</u>	<u>2,346,473</u>
Total Liabilities	<u>1,354,928</u>	<u>32,114</u>	<u>3,792</u>	<u>2,508,894</u>	<u>3,899,728</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Changes in the net pension liability	<u>24,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,056</u>
<u>NET POSITION:</u>					
Net investment in capital assets	-	1,517,229	-	-	1,517,229
Unrestricted	<u>(1,234,020)</u>	<u>5,251,776</u>	<u>389,193</u>	<u>(2,508,894)</u>	<u>1,898,055</u>
Total Net Position	<u>\$ (1,234,020)</u>	<u>\$ 6,769,005</u>	<u>\$ 389,193</u>	<u>\$ (2,508,894)</u>	<u>\$ 3,415,284</u>

CITY OF NOVATO
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Governmental Activities - Internal Service Funds					
	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Technology Replacement Fund</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<u>OPERATING REVENUES</u>					
Charges for services	\$ 635,042	\$ 704,327	\$ 95,000	\$ -	\$ 1,434,369
Total Operating Revenue	<u>635,042</u>	<u>704,327</u>	<u>95,000</u>	<u>-</u>	<u>1,434,369</u>
<u>OPERATING EXPENSES</u>					
Cost of services	761,943	441,310	86,676	311,850	1,601,779
Depreciation	<u>-</u>	<u>479,152</u>	<u>-</u>	<u>-</u>	<u>479,152</u>
Total Operating Expenses	<u>761,943</u>	<u>920,462</u>	<u>86,676</u>	<u>311,850</u>	<u>2,080,931</u>
Operating Income (Loss)	<u>(126,901)</u>	<u>(216,135)</u>	<u>8,324</u>	<u>(311,850)</u>	<u>(646,562)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	<u>-</u>	<u>72,868</u>	<u>4,298</u>	<u>-</u>	<u>77,166</u>
Total Non-Operating Revenues	<u>-</u>	<u>72,868</u>	<u>4,298</u>	<u>-</u>	<u>77,166</u>
Income (Loss) Before Transfers	<u>(126,901)</u>	<u>(143,267)</u>	<u>12,622</u>	<u>(311,850)</u>	<u>(569,396)</u>
<u>TRANSFERS</u>					
Transfers in	-	476,031	22,000	-	498,031
Transfers out	<u>(13,455)</u>	<u>(2,881)</u>	<u>-</u>	<u>-</u>	<u>(16,336)</u>
Total Transfers	<u>(13,455)</u>	<u>473,150</u>	<u>22,000</u>	<u>-</u>	<u>481,695</u>
<u>EXTRAORDINARY ITEM</u>					
Extraordinary loss	<u>-</u>	<u>(579,098)</u>	<u>-</u>	<u>-</u>	<u>(579,098)</u>
Change in net position	(140,356)	(249,215)	34,622	(311,850)	(666,799)
Net Position - July 1, 2017	<u>(1,093,664)</u>	<u>7,018,220</u>	<u>354,571</u>	<u>(2,197,044)</u>	<u>4,082,083</u>
Net Position - June 30, 2018	<u>\$ (1,234,020)</u>	<u>\$ 6,769,005</u>	<u>\$ 389,193</u>	<u>\$ (2,508,894)</u>	<u>\$ 3,415,284</u>

CITY OF NOVATO
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 633,345	\$ 700,423	\$ 95,000	\$ -	\$ 1,428,768
Cash paid to suppliers	(732,811)	(409,196)	(82,884)	-	(1,224,891)
Net Cash (Used for) Provided by Operating Activities	<u>(99,466)</u>	<u>291,227</u>	<u>12,116</u>	<u>-</u>	<u>203,877</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>					
<u>FINANCING ACTIVITIES</u>					
Interfund receipts (payments)	112,922	(95,921)	-	-	17,001
Transfers from other funds	-	473,150	22,000	-	495,150
Transfers to other funds	(13,456)	-	-	-	(13,456)
Net Cash Provided by Non-Capital Financing Activities	<u>99,466</u>	<u>377,229</u>	<u>22,000</u>	<u>-</u>	<u>498,695</u>
<u>CASH FLOWS FROM CAPITAL AND</u>					
<u>RELATED FINANCING ACTIVITIES</u>					
Acquisition of capital assets	-	(508,180)	-	-	(508,180)
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(508,180)</u>	<u>-</u>	<u>-</u>	<u>(508,180)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest and dividends	-	72,868	4,298	-	77,166
Net Cash Provided by Investing Activities	<u>-</u>	<u>72,868</u>	<u>4,298</u>	<u>-</u>	<u>77,166</u>
Net Increase in Cash and Cash Equivalents	-	233,144	38,414	-	271,558
Cash and Cash Equivalents - July 1, 2017	-	4,826,428	354,571	-	5,180,999
Cash and Cash Equivalents - June 30, 2018	<u>\$ -</u>	<u>\$ 5,059,572</u>	<u>\$ 392,985</u>	<u>\$ -</u>	<u>\$ 5,452,557</u>
<u>RECONCILIATION OF OPERATING INCOME</u>					
<u>(LOSS) TO NET CASH PROVIDED BY</u>					
<u>(USED FOR) OPERATING ACTIVITIES:</u>					
Operating (Loss) Income	\$ (126,901)	\$ (216,135)	\$ 8,324	\$ (311,850)	\$ (646,562)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	-	479,152	-	-	479,152
Pension expense	40,041	-	-	-	40,041
Changes in assets and liabilities:					
Increase in accounts receivable	(1,698)	-	-	-	(1,698)
(Decrease) Increase in accounts payable	(10,908)	32,114	3,792	-	24,998
Decrease in unearned revenue	-	(3,904)	-	-	(3,904)
Increase in claims payable	-	-	-	311,850	311,850
Net Cash (Used for) Provided by Operating Activities	<u>\$ (99,466)</u>	<u>\$ 291,227</u>	<u>\$ 12,116</u>	<u>\$ -</u>	<u>\$ 203,877</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, 2018

	<u>Unclaimed Property Fund</u>	<u>Buck Center</u>	<u>Pacheco Refunding Redemption</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	\$ 74,192	\$ 26,942	\$ 2,351,795	\$ 180,529	\$ 649,195	\$ 601,871	\$ 4,905,024
Cash with fiscal agent	-	-	-	-	-	241,436	454,759	806,811	1,503,006
Other assets, net	-	-	-	245	10,436	1,420	14,668	6,663	33,432
Total Assets	<u>\$ 20,500</u>	<u>\$ 1,000,000</u>	<u>\$ 74,192</u>	<u>\$ 27,187</u>	<u>\$ 2,362,231</u>	<u>\$ 423,385</u>	<u>\$ 1,118,622</u>	<u>\$ 1,415,345</u>	<u>\$ 6,441,462</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ 4,350	\$ -	\$ 5,850
Due to City	-	-	-	296,990	-	-	-	-	296,990
Deposits held in trust	20,500	1,000,000	74,192	(269,803)	2,360,731	423,385	1,114,272	1,415,345	6,138,622
Total Liabilities	<u>\$ 20,500</u>	<u>\$ 1,000,000</u>	<u>\$ 74,192</u>	<u>\$ 27,187</u>	<u>\$ 2,362,231</u>	<u>\$ 423,385</u>	<u>\$ 1,118,622</u>	<u>\$ 1,415,345</u>	<u>\$ 6,441,462</u>

See accompanying notes to the basic financial statements.

CITY OF NOVATO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<u>Unclaimed Property Fund</u>				
ASSETS				
Cash and investments	\$ 20,500	\$ -	\$ -	\$ 20,500
Total Assets	<u>\$ 20,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,500</u>
LIABILITIES				
Deposits in trust	\$ 20,500	\$ -	\$ -	\$ 20,500
Total Liabilities	<u>\$ 20,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,500</u>
<u>Buck Center</u>				
ASSETS				
Cash and investments	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Total Assets	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>
LIABILITIES				
Deposits in trust	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Total Liabilities	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>
<u>Pacheco Refunding Redemption</u>				
ASSETS				
Cash and investments	\$ 74,192	\$ -	\$ -	\$ 74,192
Total Assets	<u>\$ 74,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,192</u>
LIABILITIES				
Deposits in trust	\$ 74,192	\$ -	\$ -	\$ 74,192
Total Liabilities	<u>\$ 74,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,192</u>
<u>Pacheco Valle CFD</u>				
ASSETS				
Cash and investments	\$ 26,180	\$ 38,066	\$ 37,304	\$ 26,942
Other assets, net	234	37,739	37,728	245
Total Assets	<u>\$ 26,414</u>	<u>\$ 75,805</u>	<u>\$ 75,032</u>	<u>\$ 27,187</u>
LIABILITIES				
Accounts payable	\$ -	\$ 2,832	\$ 2,832	\$ -
Loan from City	315,368	-	18,378	296,990
Deposits in trust	(288,954)	37,262	18,111	(269,803)
Total Liabilities	<u>\$ 26,414</u>	<u>\$ 40,094</u>	<u>\$ 39,321</u>	<u>\$ 27,187</u>

CITY OF NOVATO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Vintage Oaks Special Tax</u>				
ASSETS				
Cash and investments	\$ 2,343,955	\$ 1,633,921	\$ 1,626,081	\$ 2,351,795
Other assets, net	<u>9,973</u>	<u>10,436</u>	<u>9,973</u>	<u>10,436</u>
Total Assets	<u>\$ 2,353,928</u>	<u>\$ 1,644,357</u>	<u>\$ 1,636,054</u>	<u>\$ 2,362,231</u>
LIABILITIES				
Accounts payable	\$ 1,700	\$ 14,288	\$ 14,488	\$ 1,500
Deposits in trust	<u>2,352,228</u>	<u>1,634,384</u>	<u>1,625,881</u>	<u>2,360,731</u>
Total Liabilities	<u>\$ 2,353,928</u>	<u>\$ 1,648,672</u>	<u>\$ 1,640,369</u>	<u>\$ 2,362,231</u>
<u>Golden Gate Redemption</u>				
ASSETS				
Cash and investments	\$ 170,319	\$ 225,708	\$ 215,498	\$ 180,529
Cash with fiscal agent	239,792	1,644	-	241,436
Other assets, net	<u>3,641</u>	<u>1,420</u>	<u>3,641</u>	<u>1,420</u>
Total Assets	<u>\$ 413,752</u>	<u>\$ 228,772</u>	<u>\$ 219,139</u>	<u>\$ 423,385</u>
LIABILITIES				
Deposits in trust	\$ <u>413,752</u>	\$ <u>225,131</u>	\$ <u>215,498</u>	\$ <u>423,385</u>
Total Liabilities	<u>\$ 413,752</u>	<u>\$ 225,131</u>	<u>\$ 215,498</u>	<u>\$ 423,385</u>
<u>Hamilton Bond Admin.</u>				
ASSETS				
Cash and investments	\$ 660,194	\$ 2,264,277	\$ 2,275,276	\$ 649,195
Cash with fiscal agent	453,875	884	-	454,759
Other assets, net	<u>13,970</u>	<u>14,668</u>	<u>13,970</u>	<u>14,668</u>
Total Assets	<u>\$ 1,128,039</u>	<u>\$ 2,279,829</u>	<u>\$ 2,289,246</u>	<u>\$ 1,118,622</u>
LIABILITIES				
Accounts payable	\$ 2,300	\$ 20,700	\$ 18,650	\$ 4,350
Deposits in trust	<u>1,125,739</u>	<u>2,265,858</u>	<u>2,277,325</u>	<u>1,114,272</u>
Total Liabilities	<u>\$ 1,128,039</u>	<u>\$ 2,286,558</u>	<u>\$ 2,295,975</u>	<u>\$ 1,118,622</u>
<u>Pointe Marin CFD-2002-1</u>				
ASSETS				
Cash and investments	\$ 587,373	\$ 1,016,849	\$ 1,002,351	\$ 601,871
Cash with fiscal agent	802,181	5,534	904	806,811
Other assets, net	<u>6,253</u>	<u>6,663</u>	<u>6,253</u>	<u>6,663</u>
Total Assets	<u>\$ 1,395,807</u>	<u>\$ 1,029,046</u>	<u>\$ 1,009,508</u>	<u>\$ 1,415,345</u>
LIABILITIES				
Accounts payable	\$ 2,000	\$ 9,120	\$ 11,120	\$ -
Deposits in trust	<u>1,393,807</u>	<u>1,022,793</u>	<u>1,001,255</u>	<u>1,415,345</u>
Total Liabilities	<u>\$ 1,395,807</u>	<u>\$ 1,031,913</u>	<u>\$ 1,012,375</u>	<u>\$ 1,415,345</u>

CITY OF NOVATO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and investments	\$ 4,882,713	\$ 5,178,821	\$ 5,156,510	\$ 4,905,024
Cash with fiscal agent	1,495,848	8,062	904	1,503,006
Other assets, net	<u>34,071</u>	<u>70,926</u>	<u>71,565</u>	<u>33,432</u>
Total Assets	<u>\$ 6,412,632</u>	<u>\$ 5,257,809</u>	<u>\$ 5,228,979</u>	<u>\$ 6,441,462</u>
LIABILITIES				
Accounts payable	\$ 6,000	\$ 46,940	\$ 47,090	\$ 5,850
Loan from City	315,368	-	18,378	296,990
Deposits in trust	<u>6,091,264</u>	<u>5,185,428</u>	<u>5,138,070</u>	<u>6,138,622</u>
Total Liabilities	<u>\$ 6,412,632</u>	<u>\$ 5,232,368</u>	<u>\$ 5,203,538</u>	<u>\$ 6,441,462</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.

Risk Mitigation Reserve - established by Council Resolution 47-15 on September 15, 2015. The reserve is subject to future City Council decisions about uses for the funds, but is intended to mitigate risk from economic recessions, pension rate and investment earnings fluctuations, unanticipated state takeaways, or unanticipated required expenditures due to changing laws of regulatory requirements.

CITY OF NOVATO
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2018

	<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>ASSETS</u>					
Cash and investments	\$ (658,244)	\$ 8,706,622	\$ 2,522,298	\$ 40,817	\$ 1,414
Restricted cash and investments	-	-	-	-	-
Accounts receivable	748,520	-	-	-	-
Notes Receivable	9,670	-	-	-	-
Interest receivable	268,664	-	-	-	-
Taxes receivable	2,788,478	1,920	-	-	-
Due from other funds	1,019,565	-	-	-	-
Advances to other funds	-	-	-	-	-
Prepaid items	18,964	-	-	-	-
Total Assets	<u>\$ 4,195,617</u>	<u>\$ 8,708,542</u>	<u>\$ 2,522,298</u>	<u>\$ 40,817</u>	<u>\$ 1,414</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,329,729	\$ 104,546	\$ -	\$ -	\$ -
Accrued payroll and benefits	651,576	-	-	-	-
Unearned revenue	438,926	-	-	-	-
Deposits payable	205,879	-	-	-	-
Advances from other funds	224,318	-	-	-	-
Total Liabilities	<u>2,850,428</u>	<u>104,546</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Nonspendable	1,345,189	-	-	-	-
Restricted	-	-	-	40,817	-
Assigned	-	7,456,636	-	-	1,414
Unassigned	-	1,147,360	2,522,298	-	-
Total Fund Balances	<u>1,345,189</u>	<u>8,603,996</u>	<u>2,522,298</u>	<u>40,817</u>	<u>1,414</u>
Total Liabilities and Fund Balances	<u>\$ 4,195,617</u>	<u>\$ 8,708,542</u>	<u>\$ 2,522,298</u>	<u>\$ 40,817</u>	<u>\$ 1,414</u>

CITY OF NOVATO
GENERAL FUND
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2018

	<u>Insurance Reserve</u>	<u>Emergency & Disaster Response</u>	<u>Civic Center</u>	<u>Long-Term Maintenance Facilities</u>	<u>Long-Term Maintenance Infrastructure</u>
<u>ASSETS</u>					
Cash and investments	\$ 636,109	\$ 6,296,835	\$ 128,237	\$ 1,278,132	\$ 622,945
Restricted cash and investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	620,000	-	-	-
Prepaid items	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 636,109</u>	<u>\$ 6,916,835</u>	<u>\$ 128,237</u>	<u>\$ 1,278,132</u>	<u>\$ 622,945</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Nonspendable	-	620,000	-	-	-
Restricted	-	-	-	-	-
Assigned	636,109	6,296,835	24,874	1,149,938	622,945
Unassigned	-	-	103,363	128,194	-
	<u>-</u>	<u>-</u>	<u>103,363</u>	<u>128,194</u>	<u>-</u>
Total Fund Balances	<u>636,109</u>	<u>6,916,835</u>	<u>128,237</u>	<u>1,278,132</u>	<u>622,945</u>
Total Liabilities and Fund Balances	<u>\$ 636,109</u>	<u>\$ 6,916,835</u>	<u>\$ 128,237</u>	<u>\$ 1,278,132</u>	<u>\$ 622,945</u>

CITY OF NOVATO
GENERAL FUND
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2018

	<u>Deposits Held in Trust</u>	<u>Risk Mitigation Reserve</u>	<u>Total General Fund</u>
<u>ASSETS</u>			
Cash and investments	\$ -	\$ 3,000,000	\$ 22,575,165
Restricted cash and investments	256,296	-	256,296
Accounts receivable	-	-	748,520
Notes Receivable	-	-	9,670
Interest receivable	-	-	268,664
Taxes receivable	-	-	2,790,398
Due from other funds	-	-	1,019,565
Advances to other funds	-	-	620,000
Prepaid items	-	-	18,964
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 256,296</u>	<u>\$ 3,000,000</u>	<u>\$ 28,307,242</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ 1,434,275
Accrued payroll and benefits	-	-	651,576
Unearned revenue	-	-	438,926
Deposits payable	256,296	-	462,175
Advances from other funds	-	-	224,318
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>256,296</u>	<u>-</u>	<u>3,211,270</u>
FUND BALANCES:			
Nonspendable	-	-	1,965,189
Restricted	-	-	40,817
Assigned	-	3,000,000	19,188,751
Unassigned	-	-	3,901,215
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>-</u>	<u>3,000,000</u>	<u>25,095,972</u>
Total Liabilities and Fund Balances	<u>\$ 256,296</u>	<u>\$ 3,000,000</u>	<u>\$ 28,307,242</u>

CITY OF NOVATO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2018

	<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>REVENUES</u>					
Taxes and assessments	\$ 31,844,936	\$ 23,205	\$ -	\$ -	\$ -
Licence, permits, & fees	1,308,759	-	-	-	-
Intergovernmental	343,650	-	-	67,384	-
Fines and forfeitures	600,693	-	-	-	-
Use of money and property	253,172	124,589	24,645	-	17
Charges for services	3,215,415	-	-	-	-
Other revenues	<u>108,794</u>	<u>4,519</u>	<u>1,997,723</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>37,675,419</u>	<u>152,313</u>	<u>2,022,368</u>	<u>67,384</u>	<u>17</u>
<u>EXPENDITURES</u>					
General government	7,916,679	151,872	1	65,783	-
Public safety	14,914,589	235,630	-	-	-
Public works	6,628,378	312,250	-	-	-
Cultural and recreation	5,230,131	185,764	-	-	-
Community development	537,705	15,423	-	-	-
Debt service:					
Principal	203,826	-	-	-	-
Interest and fiscal charges	<u>7,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>35,438,722</u>	<u>900,939</u>	<u>1</u>	<u>65,783</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,236,697</u>	<u>(748,626)</u>	<u>2,022,367</u>	<u>1,601</u>	<u>17</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	1,168,690	-	-	-	-
Transfers out	<u>(4,647,421)</u>	<u>(4,148,848)</u>	<u>-</u>	<u>(1,569)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,478,731)</u>	<u>(4,148,848)</u>	<u>-</u>	<u>(1,569)</u>	<u>-</u>
<u>EXTRAORDINARY ITEM</u>					
Extraordinary loss	<u>(1,219,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,461,431)	(4,897,474)	2,022,367	32	17
Fund Balances - July 1, 2017	<u>3,806,620</u>	<u>13,501,470</u>	<u>499,931</u>	<u>40,785</u>	<u>1,397</u>
Fund Balances - June 30, 2018	<u>\$ 1,345,189</u>	<u>\$ 8,603,996</u>	<u>\$ 2,522,298</u>	<u>\$ 40,817</u>	<u>\$ 1,414</u>

CITY OF NOVATO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
JUNE 30, 2018

	<u>Insurance Reserve</u>	<u>Emergency & Disaster Response</u>	<u>Civic Center</u>	<u>Long-Term Maintenance Facilities</u>	<u>Long-Term Maintenance Infrastructure</u>
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licence, permits, & fees	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	7,018	3,030	1,486	13,662	8,977
Charges for services	-	-	-	-	-
Other revenues	<u>106,385</u>	<u>-</u>	<u>-</u>	<u>5,930</u>	<u>-</u>
Total Revenues	<u>113,403</u>	<u>3,030</u>	<u>1,486</u>	<u>19,592</u>	<u>8,977</u>
<u>EXPENDITURES</u>					
General government	35,000	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>78,403</u>	<u>3,030</u>	<u>1,486</u>	<u>19,592</u>	<u>8,977</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	592,624	-	586,915	400,000
Transfers out	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>(172,546)</u>	<u>(623,272)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>292,624</u>	<u>-</u>	<u>414,369</u>	<u>(223,272)</u>
<u>EXTRAORDINARY ITEM</u>					
Extraordinary loss	<u>(324,445)</u>	<u>(941,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(246,042)	(645,783)	1,486	433,961	(214,295)
Fund Balances - July 1, 2017	<u>882,151</u>	<u>7,562,618</u>	<u>126,751</u>	<u>844,171</u>	<u>837,240</u>
Fund Balances - June 30, 2018	<u>\$ 636,109</u>	<u>\$ 6,916,835</u>	<u>\$ 128,237</u>	<u>\$ 1,278,132</u>	<u>\$ 622,945</u>

CITY OF NOVATO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
JUNE 30, 2018

	<u>Deposits Held in Trust</u>	<u>Risk Mitigation Reserve</u>	<u>Total General Fund</u>
<u>REVENUES</u>			
Taxes and assessments	\$ -	\$ -	\$ 31,868,141
Licence, permits, & fees	-	-	1,308,759
Intergovernmental	-	-	411,034
Fines and forfeitures	-	-	600,693
Use of money and property	-	-	436,596
Charges for services	-	-	3,215,415
Other revenues	-	-	<u>2,223,351</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>40,063,989</u>
<u>EXPENDITURES</u>			
General government	-	-	8,169,335
Public safety	-	-	15,150,219
Public works	-	-	6,940,628
Cultural and recreation	-	-	5,415,895
Community development	-	-	553,128
Debt service:			
Principal	-	-	203,826
Interest and fiscal charges	-	-	<u>7,414</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>36,440,445</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,623,544</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	3,000,000	5,748,229
Transfers out	-	-	<u>(9,893,656)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,000,000</u>	<u>(4,145,427)</u>
<u>EXTRAORDINARY ITEM</u>			
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(2,485,279)</u>
Net Change in Fund Balance	-	3,000,000	(3,007,162)
Fund Balances - July 1, 2017	<u>-</u>	<u>-</u>	<u>28,103,134</u>
Fund Balances - June 30, 2018	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 25,095,972</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.	148 - 153
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.	154 - 158
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.	159 - 162
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.	163 - 164
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.	165 - 167

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

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

	<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>	<u>2018</u>
Governmental activities										
Invested in capital assets, net of debt	\$ 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	\$ 245,574,757
Restricted	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	54,734,508
Unrestricted	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)	(32,241,327)
Total governmental activities net position	\$ 258,972,389	\$ 259,456,107	\$ 260,600,286	\$ 313,422,841	\$ 308,329,804	\$ 310,970,869	\$ 272,049,403	\$ 277,904,908	\$ 276,653,024	\$ 268,067,938
Business-type activities										
Invested in capital assets, net of debt	\$ -	\$ -	\$ 4,694,556	\$ 5,123,344	\$ 7,372,568	\$ 7,809,435	\$ 8,255,016	\$ 8,966,937	\$ 9,511,419	\$ 10,083,616
Restricted	-	-	4,534,525	4,990,339	3,307,011	3,198,164	3,845,741	4,250,937	4,802,060	5,200,204
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total business-type activities net position	\$ -	\$ -	\$ 9,229,081	\$ 10,113,683	\$ 10,679,579	\$ 11,007,599	\$ 12,100,757	\$ 13,217,874	\$ 14,313,479	\$ 15,283,820
Primary government										
Invested in capital assets, net of debt	\$ 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	\$ 255,658,373
Restricted	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	59,934,712
Unrestricted	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)	(32,241,327)
Total primary government net position	\$ 258,972,389	\$ 259,456,107	\$ 269,829,367	\$ 323,536,524	\$ 319,009,383	\$ 321,978,468	\$ 284,150,160	\$ 291,122,782	\$ 290,966,503	\$ 283,351,758

Source: City of Novato Finance Division

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

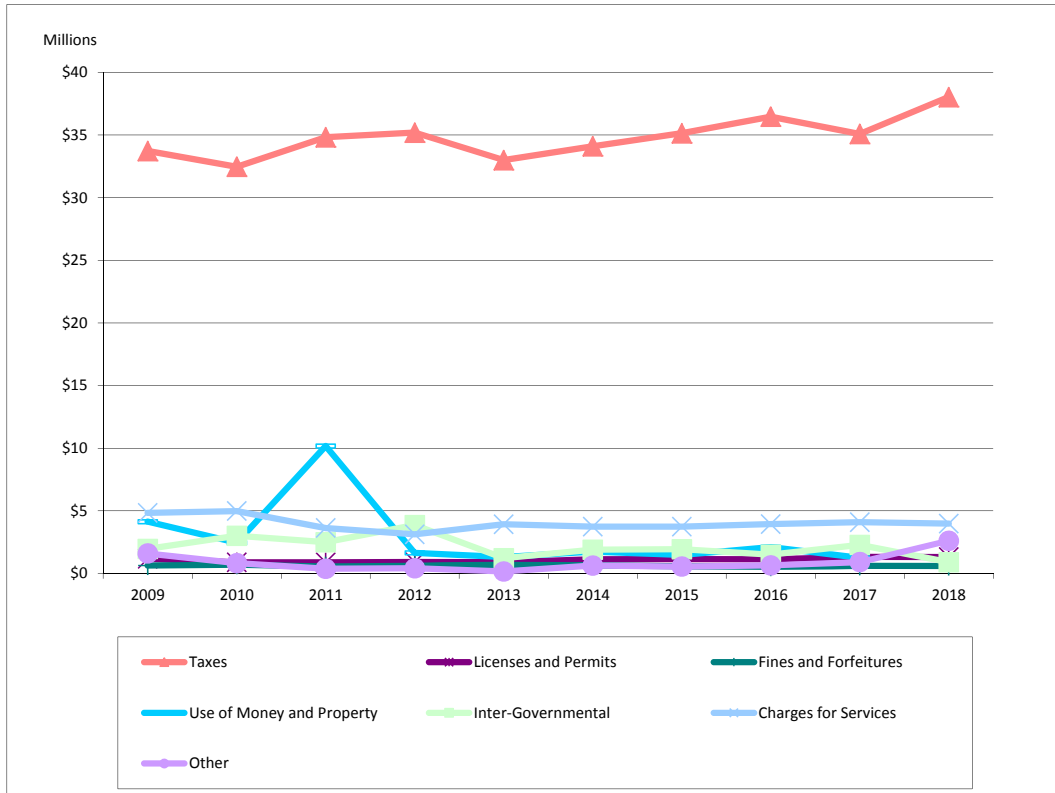
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental Activities:										
General government	\$ 5,911,004	\$ 5,587,806	\$ 7,876,829	\$ 7,638,988	\$ 7,781,817	\$ 8,935,015	\$ 8,498,035	\$ 9,119,007	\$ 10,620,762	\$ 11,862,437
Public safety	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	16,666,679
Public works	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	14,336,553
Culture and recreation	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	5,771,680
Community development	2,425,672	4,737,795	1,617,129	794,207	460,611	500,752	794,963	1,039,862	1,450,979	842,518
Interest and fiscal charges	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	1,412,666
PERS funding expense										
SERAF			547,090							
Depreciation - Infrastructure	4,653,111	4,729,878								
Transfers out	12,577,519	14,480,550								
Total government activity expenses	\$ 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	\$ 50,892,533
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	\$ 2,284,905
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	2,284,905
Total primary government expenses	\$ 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	\$ 53,177,438
Program Revenues										
Charges for Services										
General government	\$ 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	\$ 2,205,423
Public safety	531,103	562,198	491,979	586,995	643,785	532,565	479,142	459,489	483,066	523,718
Public works	764,411	1,985,593	877,890	318,378	779,883	312,493	453,562	519,240	378,351	242,472
Culture and recreation	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	2,150,966
Community development	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	2,200,923
Operating grants	171,901	672,164	1,374,722	995,948	1,184,446	1,161,861	1,498,193	855,576	662,343	666,006
Capital grants	1,445,255	774,008	1,128,976	2,870,043	38,310	733,988	441,739	651,246	1,623,186	659,693
Total governmental activities	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	8,649,201
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	3,187,706
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	3,187,706
Total primary government	\$ 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	\$ 11,836,907
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (42,243,332)
Business-type activities	-	-	845,329	614,662	354,185	1,033,175	1,063,009	1,077,772	901,301	902,801
Total primary government	\$ (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)	\$ (41,340,531)

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

	<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>	<u>2018</u>
General Revenues										
Government Activities										
Taxes										
Sales and use taxes	\$ 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	\$ 13,630,668
Property taxes	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	17,633,246
Motor vehicle and gas taxes	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	1,517,254
Franchise taxes	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	1,706,149
Transient occupancy taxes	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	1,773,629
Business license taxes	849,748	838,182	832,498	819,916	834,276	939,557	999,842	1,064,807	1,185,298	1,289,176
Other taxes	2,458,292	4,535,019	2,550	14,102	5,011	4,451	5,080	3,511	6,330	3,160
Interest and investment	814,009	1,296,838	9,344,352	722,441	697,725	838,904	554,969	1,268,887	978,267	477,385
Rental income	785,503	527,844	863,798	939,818	627,039	1,000,124	1,016,325	926,262	963,689	1,129,707
Other revenue	1,599,512	824,469	375,725	418,051	163,753	666,878	551,847	649,710	409,631	2,564,985
Transfers In	12,558,935	14,480,550				250,000				
Total governmental activities	\$ 51,732,991	\$ 51,164,088	\$ 45,407,640	\$ 37,273,960	\$ 34,485,406	\$ 36,860,274	\$ 37,263,101	\$ 39,305,694	\$ 37,434,969	\$ 41,725,359
Business-type Activities										
Interest and investment			\$ 203,311	\$ 252,809	\$ 199,017	\$ 11,816	\$ 16,091	\$ 26,478	\$ 39,462	\$ 57,106
Other revenue			13,915	17,131	12,694	13,234	14,058	12,867	154,842	10,434
Total business-type activities	\$ -	\$ -	\$ 217,226	\$ 269,940	\$ 211,711	\$ 25,050	\$ 30,149	\$ 39,345	\$ 194,304	\$ 67,540
Other sources(uses) of money						(250,000)				(2,730,837)
Total primary government	\$ 51,732,991	\$ 51,164,088	\$ 45,624,866	\$ 37,543,900	\$ 34,697,117	\$ 36,635,324	\$ 37,293,250	\$ 39,345,039	\$ 37,629,273	\$ 39,062,062
Extraordinary item - RDA dissolution				\$ 46,397,146						
Change in Net Position										
Governmental activities	\$ 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)	\$ (3,248,810)
Business-type activities	-	-	1,062,555	884,602	565,896	1,058,225	1,093,158	1,117,117	1,095,605	970,341
Total primary government	\$ 2,842,632	\$ 483,718	\$ 2,566,837	\$ 52,505,360	\$ 3,208,254	\$ 3,685,185	\$ 5,701,959	\$ 6,383,622	\$ (452,390)	\$ (2,278,469)

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>
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
2018	38,027,526	1,308,759	600,693	1,422,803	907,100	3,979,681	2,616,463	48,863,025

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>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>	<u>2018</u>
General Fund										
Reserved	\$ 10,535,241	\$ 10,828,866								
Unreserved	(18,600)									
Nonspendable			\$ 31,006,545	\$ 630,064	\$ 770,902	\$ 1,403,960	\$ 1,126,334	\$ 2,181,264	\$ 5,090,706	\$ 1,955,519 (1)
Restricted			36,687,967	1,192,404	1,194,771	1,200,002	1,131,556	1,069,688	555,518	636,109
Assigned			23,222,051	23,170,714	16,122,964	9,366,440	17,283,943	17,618,959	19,316,999	18,562,312
Unassigned			(27,012,787)	4,495,908	8,035,979	11,329,856	6,107,024	8,287,257	3,139,911	3,942,032
Total General Fund	<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>	<u>\$ 25,095,972</u>
All Other Governmental Funds										
Reserved	\$ 4,011,639	\$ 4,401,643								
Unreserved reported in:										
Special revenue funds	14,435,867	12,523,218								
Capital project funds	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	57,541,885
Assigned			343,209	337,712	303,089	264,628	202,498	160,066	118,866	88,709
Unassigned			(1,687,680)	(1,286,967)	(1,272,536)	(1,106,456)	(396,865)	(912,227)	(1,987,752)	(2,656,768)
Total all other Governmental Funds	<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>	<u>\$ 54,973,826</u>

Note: The City of Novato implemented GASB 54 in FY 2010/11 that changed how fund balances are categorized.

(1) Non spendable funds in the General Fund decreased as a result of writing off interfund loans to the former Redevelopment Agency following a State of California court decision.

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>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>	<u>2018</u>
Revenues										
Taxes and assessments	\$ 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	\$ 38,027,526
Licenses, permits, and fess	1,169,382	885,043	895,765	910,559	907,460	1,135,912	1,144,209	1,134,230	1,322,662	1,308,759
Intergovernmental revenues	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	907,100
Fines and forfeitures	632,552	693,534	559,139	611,791	695,651	633,345	570,564	549,834	610,177	600,693
Use of money and property	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	1,422,803
Charges for service	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	3,979,681
Other revenues	1,599,512	824,469	375,725	418,051	163,753	637,639	551,847	649,721	909,649	2,616,463
Total revenues	<u>48,053,023</u>	<u>45,312,711</u>	<u>52,959,238</u>	<u>45,769,401</u>	<u>41,225,601</u>	<u>43,893,819</u>	<u>44,561,413</u>	<u>46,350,914</u>	<u>45,558,222</u>	<u>48,863,025</u>
Expenditures										
General government	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	8,586,793
Public safety	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	15,617,052
Public works	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	8,160,671
Culture and recreation	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	5,658,183
Community Development	2,145,427	1,996,974	1,321,387	648,037	482,802	812,535	763,338	1,843,830	1,271,933	738,534
SERAF shift		2,657,292	547,090							
Debt service - Principal	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	2,236,766
Debt service - Interest	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	1,094,559
Issuance costs	76,650		495,064			130,450			17,400	
Capital outlay	8,203,002	10,493,593	2,971,294	7,909,117	10,361,130	11,057,543	3,810,210	4,906,785	8,082,920	3,769,546
CIP project costs not capitalized	218,389	285,036	278,344	136,080	149,103	(773,569)	265,546	718,796	512,053	957,309
Total expenditures	<u>50,038,263</u>	<u>52,191,137</u>	<u>50,974,980</u>	<u>44,529,157</u>	<u>45,631,973</u>	<u>58,326,880</u>	<u>40,177,524</u>	<u>44,189,612</u>	<u>49,427,206</u>	<u>46,819,413</u>
Excess of revenues over (under) expenditures	(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)	2,043,612
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	12,558,935	14,480,550	7,454,805	11,011,019	12,915,875	14,197,147	8,105,067	8,172,441	11,449,365	8,593,974
Transfers out	(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)	(9,075,669)
Total other financing sources	<u>1,164,926</u>	<u>(419,399)</u>	<u>16,602,553</u>	<u>(448,091)</u>	<u>33,696</u>	<u>10,572,145</u>	<u>(243,904)</u>	<u>(339,142)</u>	<u>(442,583)</u>	<u>(481,695)</u>
Extraordinary Item										
Redevelopment Dissolution				(3,939,968)						(4,757,178)
Net change in fund balance	<u>\$ (820,314)</u>	<u>\$ (7,297,825)</u>	<u>\$ 18,586,811</u>	<u>\$ (3,147,815)</u>	<u>\$ (4,372,676)</u>	<u>\$ (3,860,916)</u>	<u>\$ 4,139,985</u>	<u>\$ 1,822,160</u>	<u>\$ (4,311,567)</u>	<u>\$ (3,195,261)</u>
Debt service as a % of noncapital expenditures	16.5%	16.8%	33.0%	17.4%	11.6%	30.2%	9.1%	8.4%	8.2%	7.7%

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

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Other [a]</u>	<u>Less: Tax Exempt Property [c]</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value [b]</u>
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	358,048,249	-	10,131,670,770	8.208%	831,607,537
2018	8,549,723,792	1,320,886,751	420,198,570	368,864,924	-	10,659,674,037	8.17100%	871,001,966

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
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
2018	1.00000	0.00000	0.03380	0.02010	0.00330	0.10840	0.00000	0.08171	1.17850

[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**

Taxpayer	2018			2009		
	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
BioMarin Pharmaceutical Inc.	1	\$ 259,732,346	2.44%	2	\$ 71,299,906	0.80%
Novato FF Property LLC	2	128,000,000	1.20%	1	\$ 270,300,000	3.05%
Professional Investors Security Fund	3	96,822,167	0.91%			
HL Novato LLC	4	86,955,000	0.82%			
JCC Cal Properties LLC	5	65,383,582	0.61%			
Steven J. Scarpa	6	63,658,616	0.60%	4	64,378,839	0.73%
Contesta Novato Investors LLC	7	49,022,153	0.46%			
Hamilton Marketplace LLC	8	45,623,426	0.43%			
Of 11 Scripps Summit Sole M LLC	9	35,189,305	0.33%			
Condiotti Enterprises Inc.	10	31,790,824	0.30%	10	27,156,939	0.31%
Hamilton Marin LLC				3	64,566,834	0.73%
WH McVay Trust LL Etal				5	53,084,709	0.60%
Lexington Wood Hollow				6	42,214,380	0.48%
Sutter Health				7	38,268,691	0.43%
MEPT Rowland Plaza LLC II				8	30,135,731	0.34%
California Woodside Office Ctr Office LP				9	28,050,000	0.32%
Top Ten Totals		\$ 862,177,419	8.09%		\$ 689,456,029	7.78%
City Total Taxable Assessed Value		\$ 10,659,674,037			\$ 8,866,620,171	

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
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%
2018	17,633	17,633	100.00%	-	17,633	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>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>	<u>2017-18</u>
Major Business Groups										
General Retail	\$ 2,819	\$ 2,835	\$ 3,173	\$ 4,522	\$ 4,803	\$ 4,580	\$ 4,626	\$ 4,280	\$ 3,843	\$ 4,733
Food Products	1,192	1,151	1,374	1,914	1,990	2,075	2,229	2,245	1,998	2,203
Transportation	1,558	1,481	1,925	2,901	3,016	3,125	3,026	2,820	2,560	2,793
Business to Business	611	488	674	1,062	1,104	1,142	1,228	1,355	1,095	1,511
Construction	348	249	312	534	540	627	639	588	549	602

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 2017-18 on)

MuniServices Company (FY 2008-09 through FY 2016-17)

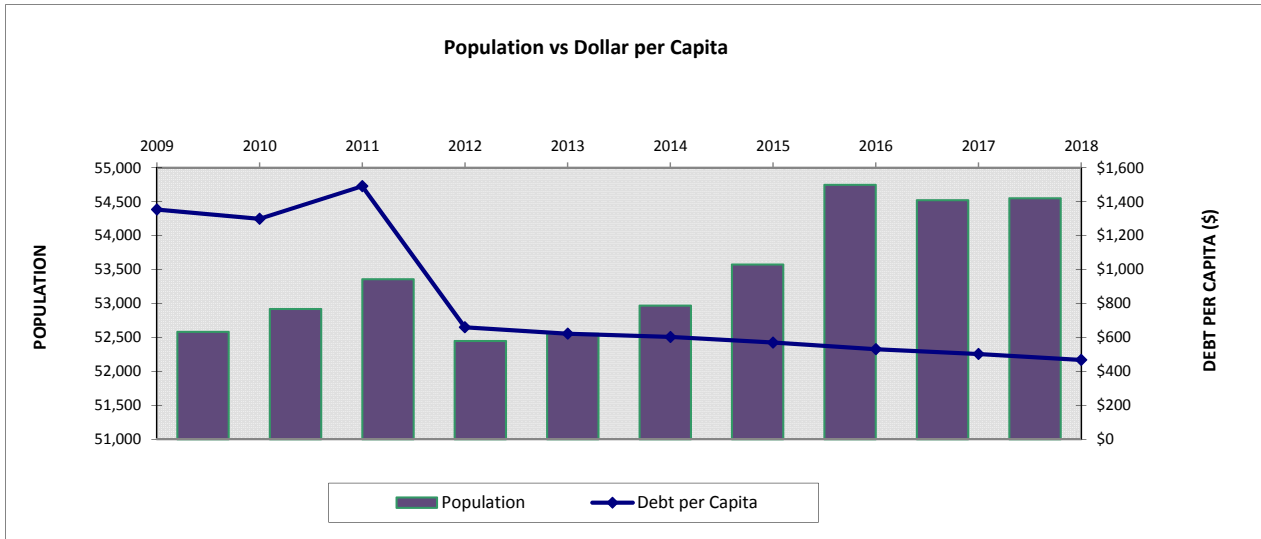
CITY OF NOVATO, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts in thousands of dollars, except per capita amount)

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	CREBs	Capital Lease / Premiums (Discounts) Net	MVMCC Note / Loan					
2009	23,703	18,079	31,840	1,837	7,063	12,335	94,857	4.02%	52,581	1,804	
2010	22,067	18,016	31,120	1,706	6,244	10,760	89,913	3.91%	52,919	1,699	
2011	19,930	19,005	47,380	1,574	5,370	10,435	103,694	4.97%	53,357	1,943	
2012	18,105	19,074	-	1,443	99	10,090	48,811	2.33%	52,447	931	
2013	16,155	19,108	-	1,312	57	7,721	44,353	2.08%	52,554	844	
2014	14,685	19,102	-	1,018	234	7,284	42,323	1.92%	52,967	799	
2015	13,225	19,052	-	853	282	6,834	40,246	1.74%	53,575	751	
2016	11,819	18,954	-	740	265	6,372	38,150	1.60%	54,749	697	
2017	10,373	18,805	-	627	191	5,896	35,892	1.46%	54,522	658	
2018	8,875	18,599	-	513	95	5,406	33,488	1.24%	54,551	614	

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.
See the Schedule of Demographic Statistics for personal income and population data.
CREBs = Clean Renewable Energy Bonds

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	Amounts Restricted for Debt Service	Net Total Bonded Debt	Capital Lease / Premiums (Discounts) Net	CREBs	Percent of Assessed Value	Population	Debt per Capita
2009	23,703	18,079	31,840	2,424	71,198	1,837	7,063	0.803%	52,581	\$1,354
2010	22,067	18,016	31,120	2,444	68,759	1,706	6,244	0.791%	52,919	\$1,299
2011	19,930	19,005	47,380	6,718	79,597	1,574	5,370	0.931%	53,357	\$1,492
2012	18,105	19,074	-	2,574	34,605	1,443	99	0.412%	52,447	\$660
2013	16,155	19,108	-	2,577	32,686	1,312	57	0.394%	52,554	\$622
2014	14,685	19,102	-	1,880	31,907	1,018	234	0.372%	52,967	\$602
2015	13,225	19,052	-	1,748	30,529	853	282	0.339%	53,575	\$570
2016	11,819	18,954	-	1,737	29,036	740	265	0.302%	54,749	\$530
2017	10,373	18,805	-	1,795	27,383	627	191	0.270%	54,522	\$502
2018	8,875	18,599	-	1,979	25,495	513	95	0.239%	54,551	\$467

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, 2018

2017-2018 Assessed Valuation : \$10,659,674,037
 Redevelopment Incremental Valuation \$1,723,696,290

	Outstanding Debt 6/30/18	% Applicable [a]	City's Estimated Share Of Overlapping Debt
Direct and Overlapping Tax and Assessment Debt			
Marin Community College District	\$310,065,000	14.321%	\$44,404,409
Novato Unified School District	116,890,000	84.938%	99,284,028
Marin Healthcare District	378,740,000	0.0003%	1,136
City of Novato	8,874,967	100.000%	8,874,967
City of Novato Community Facilities District No. 1	11,621,616	100.000%	11,621,616
City of Novato Community Facilities District No. 1994-1	9,433,700	100.000%	9,433,700
City of Novato Community Facilities District No. 2002-1	8,555,000	100.000%	8,555,000
City of Novato Community Facilities District No. 2014-1	296,990	100.000%	296,990
City of Novato 1915 Act Bonds	390,000	100.000%	390,000
Novato Sanitary District Assessment District No. 2000-1	710,000	100.000%	710,000
Marin County Open Space Assessment Districts	226,673	78.129%	177,098
Marin Emergency Radio Authority Parcel Tax Obligations	33,000,000	14.301%	4,719,330
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$188,468,273
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
Marin County General Fund Obligations	\$87,862,953	14.301%	\$12,565,281
Marin County Pension Obligations	90,530,000	14.301%	12,946,695
Marin Community College District General Fund Obligations	9,690,834	14.321%	1,387,824
Marin Emergency Radio Authority (City portion)	803,632	100.000%	803,632 [b]
City of Novato Pension Obligation Bonds	18,599,366	100.000%	18,599,366
City of Novato Clean Renewable Energy Bonds	513,163	100.000%	513,163
City of Novato Capital Leases	63,231	100.000%	63,231
Premium (Discount) on Bonds, Net	31,730	100.000%	31,730
Novato Fire Protection District General Fund Obligations	2,402,775	84.872%	2,039,283
Marin County Transit Authority General Fund Obligations	90,919	14.301%	13,002
DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$48,963,208
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	\$40,035,000	100.000%	\$40,035,000
TOTAL DIRECT DEBT			28,082,457
TOTAL OVERLAPPING DEBT			\$249,384,024
COMBINED TOTAL DEBT			\$277,466,481 [c]

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$8,874,967)..... 0.08%
 Total Direct and Overlapping Tax and Assessment Debt..... 1.77%

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$28,082,457)..... 0.26%
 Combined Total Debt..... 2.60%

Ratios to Redevelopment Incremental Valuation (\$1,723,696,290)

Total Overlapping Tax Increment Debt..... 2.32%

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)

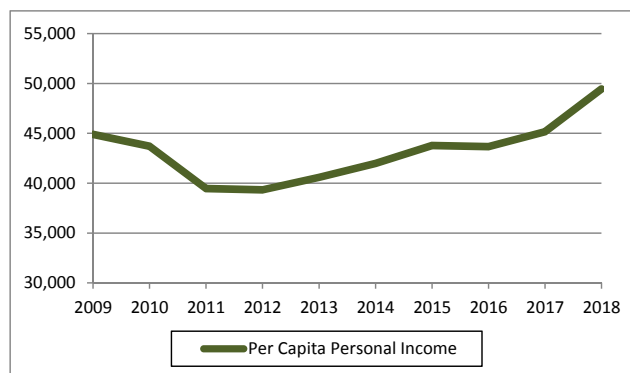
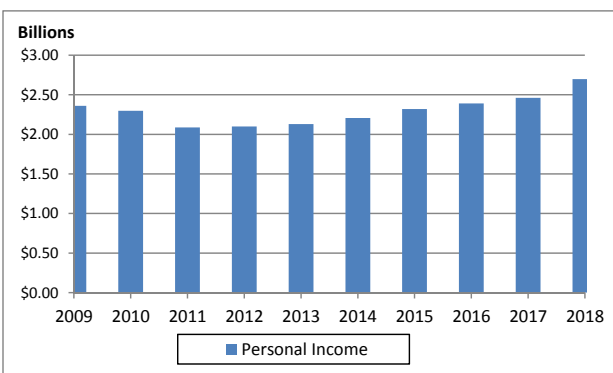
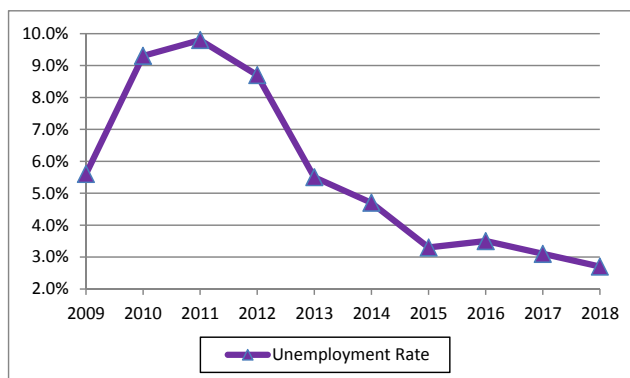
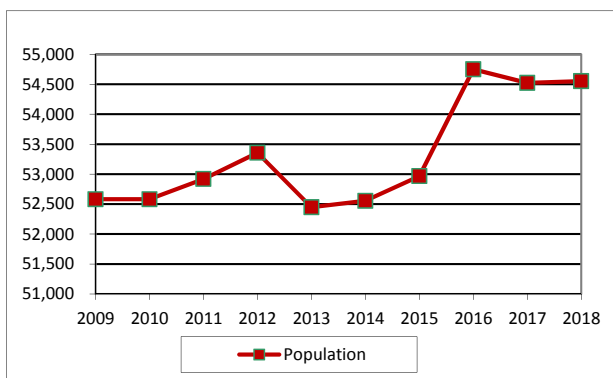
Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 10,659,674
Debt Limit (15%) of total assessed value	1,598,951
Debt applicable to limit:	
General obligation bonds	8,875
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>8,875</u>
Legal debt margin	<u>\$ 1,590,076</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
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	10,131,671	1,519,751	10,373	1,509,378	1%
2018	10,659,674	1,598,951	8,875	1,590,076	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
2009	52,581	2,360,562	44,894	5.6%	not available	7,891	not available	not available
2010	52,581	2,297,753	43,699	9.3%	42.1	8,000	92.7%	41.5%
2011	52,919	2,088,073	39,458	9.8%	42.5	8,000	92.1%	41.9%
2012	53,357	2,098,876	39,336	8.7%	43.1	8,000	91.2%	42.8%
2013	52,447	2,128,857	40,591	5.5%	43.3	8,000	91.1%	42.5%
2014	52,554	2,206,552	41,986	4.7%	43.5	8,000	92.2%	44.5%
2015	52,967	2,318,912	43,780	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%
2018	54,551	2,697,614	49,451	2.7%	44.3	8,000	93.7%	45.9%

Source: HDL Companies

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

Total City Employment 29,100

Total City Employment 23,200

FY 2017-18

FY 2009-10

FY 2017-18				FY 2009-10			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employed</u>	<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employed</u>
BioMarin Pharmaceuticals	979	1	3.36%	Fireman's Fund	953	1	4.11%
Novato Unified School District	837	2	2.88%	Novato Unified School District	841	2	3.63%
2K/Visual Concepts	585	3	2.01%	Biomarin Pharmaceuticals	607	4	2.62%
Bradley Electric	336	4	1.15%	Novato Community Hospital	335	5	1.44%
Novato Community Hospital	312	5	1.07%	Target Store	284	5	1.22%
Novato Healthcare Center	308	6	1.06%	Safeway Stores	277	6	1.19%
Costco Wholesale	300	7	1.03%	Buck Institute	265	7	1.19%
City of Novato	287	8	0.99%	Costco Wholesale	259	8	1.14%
Ultragenix	281	9	0.97%	Brayton Purcell	230	9	1.12%
Safeway Stores	275	10	0.95%	Bank of Marin	222	10	0.99%

Source: HDL Companies

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

Function	<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>	<u>2018</u>
General government										
Management Services	17.1	14.8	16.0	15.3	16.1	17.3	22.3	23.3	25.2	24.2
Finance	5.6	5.6	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0
Planning	10.9	8.2	5.7	5.7	6.2	7.0	7.0	7.2	7.2	7.2
Building	10.7	9.7	8.2	8.2	8.2	7.0	7.0	8.0	8.0	8.0
Police										
Officers	59.0	59.0	59.0	55.7	61.0	61.0	61.0	61.0	61.0	61.0
Civilians	22.6	19.6	16.6	15.8	15.8	15.8	16.8	18.0	19.5	20.5
Public Works										
Engineering	22.6	19.6	17.3	14.3	13.5	13.5	13.0	13.0	13.0	12.0
Maintenance	47.0	46.0	41.0	39.0	38.0	38.0	39.0	43.5	43.5	43.5
Redevelopment	5.6	5.6	4.7	4.4						
Economic Development					1.5	1.5	2.0	2.0	3.0	4.0
Parks and Recreation	27.5	25.5	19.8	18.1	19.9	19.9	21.0	22.3	23.2	23.3
Total	228.5	213.5	194.2	182.3	186.1	186.9	194.1	203.3	208.5	208.7

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**

<u>Function</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>	<u>2018</u>
Public Safety:										
Police:										
Police Calls for Service	22,573	21,508	20,965	20,931	20,620	17,055	21,316	42,064	44,050	46,490 [a]
Law Violations:										
Part I Crimes	1,542	1,522	1,452	1,263	1,421	1,089	1,243	1,192	1,311	1,193
Physical Arrests (Adult and Juvenile)	1,591	1,483	1,388	1,616	1,908	1,749	1,626	1,711	1,370	1,727
Parking Violations	2,326	1,192	1,445	1,695	1,780	1,466	1,172	1,440	1,077	1,405

Source: City of Novato Police Department

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

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

<u>Function/Program</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>	<u>2018</u>
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	19	19	19	19	20	20	20	20	20	20
Public Works										
Miles of Streets	150	150	151	151	151	151	152	152	152	152
Street Lights	3,893	3,893	3,924	3,924	3,925	3,950	3,950	3,950	3,950	3,950
Recreation and Community Services:										
City Parks	38	38	38	38	38	39	39	39	40	40
City Parks Acreage	479	479	479	479	479	571	571	571	580	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