

**FOWLER PUBLIC FINANCING AUTHORITY
FOWLER, CALIFORNIA**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2016

**BORCHARDT, CORONA & FAETH
Accountancy Corporation
1540 E. Shaw Ave., Ste. 118
Fresno, California 93710-8008**

FOWLER PUBLIC FINANCING AUTHORITY
AUDIT REPORT
YEAR ENDED JUNE 30, 2016

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Independent Auditors' Report

To the Board of Directors
Fowler Public Financing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowler Public Financing Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 of 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, each major fund, and the aggregate remaining fund information of Fowler Public Financing Authority as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2016, on our consideration of Fowler Public Financing Authority'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 the 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 Fowler Public Financing Authority's internal control over financial reporting and compliance.

Borchardt, Corona & Faeth

Fresno, California
December 18, 2016

FOWLER PUBLIC FINANCING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2016

INTRODUCTION

Our discussion and analysis of the Fowler Public Financing Authority's (Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position is (\$154,475) at June 30, 2016. This is an increase of \$56,071.
- ❑ Overall revenues were \$203,079, which exceeded expenditures by \$56,071.
- ❑ Long-term debt decreased by \$275,000.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis (this section), and the basic financial statements. The sections together provide a comprehensive overview of the Authority. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the Authority operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-Wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how it has changed. Net position-the difference between the assets and liabilities- are one way to measure the Authority's financial health or position.

- ❑ Over time, increases or decreases in the Authority's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the Authority, one needs to consider additional nonfinancial factors such as changes in debt service.

The government-wide financial statements of the Authority include government activities. Most of the Authority's basic services are included here, such as debt administration. Lease revenue funding finances these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds-not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Authority is meeting legal responsibilities for using certain revenues. The Authority has one kind of fund:

- Governmental funds - All of the Authority's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The Authority's combined net position restricted for debt service is (\$210,546) at June 30, 2016. See Table 1.

Table 1
Net Position

	Governmental Activities		Total Percentage Change
	2016	2015	2016-2015
Assets			
Cash	\$ 468,665	\$ 476,337	(1.61%)
Lease Receivable	-	2,542,817	(100.00%)
TOTAL ASSETS	468,665	3,019,154	(84.48%)
Liabilities			
Accrued Interest Payable	-	44,700	(100.00%)
Long-Term Debt	-	3,185,000	(100.00%)
TOTAL LIABILITIES	-	3,229,700	(100.00%)
Net Position			
Restricted for Debt Service	\$ 468,665	\$ (210,546)	322.60%

Changes in Net Assets

The Authority's total revenues were \$214,113. The revenue comes from lease revenue (100%). The total cost of all debt and services was \$156,505. The Authority's expenses are related to debt services.

Table 2:
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2016	2015	2016-2015
Revenues:			
Lease Revenue	\$ 203,079	\$ 224,113	(9.39%)
Program Expenses:			
Interest on Long-Term Debt	147,008	156,505	(6.07%)
INCREASE (DECREASE) IN NET POSITION	\$ 56,071	\$ 67,608	(17.06%)

Governmental Activities

The cost of all governmental activities this year was \$147,008.

Table 3 presents the cost of each of the Authority's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Interest on Long-Term Debt	<u>\$ 147,008</u>	<u>\$ 156,505</u>	<u>\$ 56,071</u>	<u>\$ 67,608</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The financial performance of the Authority as a whole is reflected in its governmental funds as well. As the Authority completed the year, its governmental funds reported a combined fund balance of \$468,665, which was down from last year's ending fund balance of \$476,337 by (\$7,672).

General Fund Budgetary Highlights

Over the course of the year, the Authority revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 17, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Authority had no capital assets.

Long-Term Debt

At year-end, the Authority had \$3,185,000 in debt as a result of refinancing, as shown in Table 4. More detailed information about the Authority's debt is presented in the notes to the financial statements.

Table 4
Long-Term Debt

	Governmental Activities		Percentage
	2016	2015	of Change
			2016-15
Revenue Bond Payable	<u>\$ 2,910,000</u>	<u>\$ 3,185,000</u>	<u>(8.63%)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority budgets based on lease revenue required to fund debt service.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Kenneth McDonald, Finance Director
City of Fowler
128 South Fifth Street
Fowler, CA 93625

FOWLER PUBLIC FINANCING AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2016

	Debt Service Fund	Adjustments (Note 5)	Statement of Net Position
ASSETS			
Cash with a fiscal agent/trustee	\$ 468,665	\$ -	\$ 468,665
Leases receivable (Note 3)	-	2,328,760	2,328,760
Total Assets	<u>\$ 468,665</u>	<u>2,328,760</u>	<u>2,797,425</u>
LIABILITIES			
Accrued interest payable	-	41,900	41,900
Long-Term Debt (Note 4):			
Revenue bonds - due in one year	-	290,000	290,000
Revenue bonds - due after one year	-	2,620,000	2,620,000
Total Liabilities	-	<u>2,951,900</u>	<u>2,951,900</u>
FUND BALANCES/NET POSITION			
Fund Balances:			
Reserved for debt service	<u>468,665</u>	<u>(468,665)</u>	
Total Liabilities and Fund Balances	<u>\$ 468,665</u>		
Net Position:			
Restricted for debt service		<u>(154,475)</u>	<u>(154,475)</u>
Total Net Position		<u>\$ (623,140)</u>	<u>\$ (154,475)</u>

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

FOWLER PUBLIC FINANCING AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
YEAR ENDED JUNE 30, 2016

	Debt Service Fund	Adjustments (Note 5)	Statement of Net Position
Revenues:			
Revenue from use of money and property	\$ 417,136	\$ (214,057)	\$ 203,079
Expenditures:			
Principal retirement	275,000	(275,000)	-
Interest and fiscal charges	149,808	(2,800)	147,008
Total Expenditures	424,808	(277,800)	147,008
Excess (deficiency) of revenues over expenditures	(7,672)	63,743	56,071
Fund balance/net position, beginning of year	476,337	(686,883)	(210,546)
Fund balance/net position, end of year	\$ 468,665	\$ (623,140)	\$ (154,475)

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

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

The Fowler Public Financing Authority is a California Public Benefit Corporation duly organized and existing under the laws of the State of California. The Authority's specific and primary purpose is to provide financial assistance to the City of Fowler by acquiring qualified obligations from the City which were issued for the acquisition, construction, and improvement of public facilities and property. The Authority is a component unit of the City of Fowler.

The Authority accounts for its financial transactions in accordance with the policies and procedures of the California State Controller's Uniform System of Accounts. These accounting policies conform to accounting principles generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

(a) Reporting Entity

The Authority, for financial purposes, includes all the funds and account groups relevant to the operations of the Public Financing Authority of the City of Fowler. The Public Financing Authority of the City of Fowler is a component unit of the City of Fowler.

(b) Basis of Presentation, Basis of Accounting

(1) Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Authority has presented the following major governmental funds:

(2) Governmental Fund Types

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(c) Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

(d) Budgets and Budgetary Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

- (1) Formal budgetary integration is employed as a management control device during the year for all Governmental Fund types and Proprietary Fund types. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- (2) The Authority Board approves the line item budget appropriations and also approves all additions or transfers of budgeted amounts.
- (3) Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
- (4) The budget amounts shown in the financial statements are the final authorized amounts revised during the year.

(e) Cash and Investments

Under the Authority's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts. Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(f) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary funds are pooled with the Authority's pooled cash and investments.

(g) Use of Estimates

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

(h) Receivables and Payables

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

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 expendable available financial resources.

Property taxes are assessed collected and allocated by Fresno County throughout the fiscal year according to the following property tax calendar:

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

(i) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

(j) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as bond discounts and amortized over the term of the related debt.

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

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(k) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

(l) Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the Authority:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board, the Authority's highest level of decision-making authority. This formal action is the majority vote of the Authority's Governing Board.

Assigned fund balance includes amounts that are constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Authority Manager and Finance Director pursuant to authorization established by Board Policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When expenditures/expenses are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the Authority's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amount in any of these unrestricted classifications could be used, it is the Authority's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

(m) Net Position

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

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

2. Cash and Investments

Summary of Cash and Investments

Cash and investments at June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Governmental Activities:

Cash with a Fiscal Agent/Trustee	<u>\$468,665</u>
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Cash and investments as of June 30, 2016 consist of the following:

Deposits with a Fiscal Agent/Trustee	<u>\$468,665</u>
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Investment Accounting Policy

The Authority is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Authority's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Authority's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk.

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Investments Authorized by Debt Agreements

At June 30, 2016, the Authority had \$476,337 of bond proceeds with a fiscal agent (bond trustee).

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

<u>Maximum Authorized Investment Type</u>	<u>Security</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years

Disclosures 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.

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.

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Authority has no 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 California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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 Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

3. Leases Receivable

The Authority has entered into various lease agreements. The leases receivable at June 30, 2016 are as follows:

City of Fowler:	
Assessment District 1994-1 Improvements	\$ 905,046
Merced Street Improvement Lease	585,000
Hospital Improvement Lease	110,000
Assessment District 1993-1 Improvements	141,514
	<u>1,741,560</u>
City of Fowler Redevelopment Authority:	
FHA Refinance	175,000
RDA Loan	412,200
	<u>587,200</u>
	<u>\$ 2,328,760</u>

Future commitments to the Authority for lease payments follow:

Year Ending	
<u>June 30</u>	
2017	420,933
2018	420,938
2019	423,035
2020	415,538
2021	407,591
2022 - 2025	<u>1,201,839</u>
	3,289,874
Interest	(872,314)
Amount in Reserves	(88,800)
	<u>\$ 2,328,760</u>

4. Revenue Bonds

The outstanding revenue bonds of the Authority at June 30, 2016 are as follows:

Date of Issue	Interest Rate%	Maturity Date	Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2010	2.00-5.10	2023	<u>\$ 4,435,000</u>	<u>\$ 3,185,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 2,910,000</u>

The annual requirements to amortize revenue bonds outstanding as of June 30, 2016, are as follows:

Year Ended	Principal	Interest	Total
<u>June 30</u>			
2017	290,000	134,569	424,569
2018	290,000	121,881	411,881
2019	310,000	108,562	418,562
2020	315,000	101,588	416,588
2021	330,000	78,375	408,375
2022 - 2025	<u>1,375,000</u>	<u>122,272</u>	<u>1,497,272</u>
Total	<u>\$ 2,910,000</u>	<u>\$ 667,247</u>	<u>\$ 3,577,247</u>

FOWLER PUBLIC FINANCING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

During the year the Authority made bond payments of \$300,000 of which \$160,905 represents interest.

5. Financial Statement Adjustments

The adjustments to the Statement of Net Assets result from:

Beginning Balance	\$ (754,018)
Accrual of interest for long-term debt	(44,700)
Accounting for long-term lease receivables (net of repayment)	(199,565)
Accounting for long-term debt liability (net of repayment)	46,440
Principal Repayment of Long Term Debt	265,000
	<u>\$ (686,843)</u>

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Fowler Public Financing Authority

We have audited the financial statements of the governmental activities of Fowler Public Financing Authority, as of and for the year ended June 30, 2016 which collectively comprise the Fowler Public Financing Authority's basic financial statements and have issued our report thereon dated December 18, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fowler Public Financing Authority, California's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fowler Public Financing Authority, California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fowler Public Financing Authority, California's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fowler Public Financing Authority, California's financial statements will not be prevented, or detected and corrected on a time basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Borchardt, Corona & Faeth

Fresno, California
December 18, 2016