

**CITY OF FOWLER
COUNTY OF FRESNO
FOWLER, CALIFORNIA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

**BORCHARDT, CORONA, FAETH & ZAKARIAN
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CITY OF FOWLER
AUDIT REPORT
YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

To Honorable Members of City Council
City of Fowler, 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 Fowler, as of and for the year ended June 30, 2019, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fowler as of June 30, 2019, 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, budgetary comparison information, Schedules of the City's Proportionate Share of the Net Pension Liability, and Schedules of City Pension Contributions 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 November 29, 2021, on our consideration of City of Fowler 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 City of Fowler internal control over financial reporting and compliance.

Fresno, California
November 29, 2021

Introductory Section

CITY OF FOWLER

Management's Discussion and Analysis (MD&A) June 30, 2019

INTRODUCTION

Our discussion and analysis of the City of Fowler's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$30,167,197 on June 30, 2019.
- ❑ Overall revenues and transfers totaled \$8,712,945, which exceeded expenses of \$6,944,981 by \$1,767,964.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the City. 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 City operations in more detail. The fund financial statements comprise the remaining statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the City 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 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 City's net position and how they have changed. Net position, (the difference between the assets and liabilities) is one way to measure the City's financial health or position.

- ❑ Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.
- ❑ The government-wide financial statements of the City include government activities. Most of the City's basic services are included here, such as community development, public safety and general administration. Lease revenue funding and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds not the City as a whole. Funds are accounting devices that the City 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 City Council establishes other funds to control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain revenues. The City has three kinds of funds:

- ❑ Governmental funds - All of the City'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 City'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.
- ❑ Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.
- ❑ Fiduciary funds – the City is the trustee, or fiduciary, for assets that belong to others; for the City, the Redevelopment Successor Agency Private Purpose Trust Fund is a trust fund. The City is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the City's fiduciary activities are reported in the fiduciary fund financial statements. We exclude these activities from the City-wide financial statements because the City cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The City's combined net position was \$30,167,197 at June 30, 2019. See Table 1.

Table 1
Net Position

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2019	2019	2018	2018	2019-2018
ASSETS					
Cash	\$ 9,866,685	\$ 1,094,040	\$ 8,431,240	\$ 956,958	16.75%
Cash with Fiscal Agent	480,803	-	480,656	-	0.03%
Receivables:					
Accounts, Net and Intergovernmental	1,441,610	146,909	665,263	123,255	<100%
Community Loans	361,163	-	510,631	-	(29.27%)
*Advances to Enterprise Fund	100,000	-	125,000	-	(20.00%)
*Advances to Successor Agency	356,000	-	409,000	-	(12.96%)
*Advances in Governmental Funds	-	-	307,193	-	(100.00%)
Inventory	-	-	-	58,442	(100.00%)
Land Held for Resale	-	-	153,794	-	(100.00%)
Deposits with Others	138,316	-	64,705	-	<100%
Capital Assets, Net of Accumulated Depreciation	20,454,423	4,134,868	20,462,203	4,253,409	(0.51%)
TOTAL ASSETS	33,199,000	5,375,817	31,609,685	5,392,064	4.25%
Deferred Outflows of Resources - Pensions	886,557	288,061	1,191,362	305,602	(21.53%)
LIABILITIES					
Accounts Payable	968,087	44,954	226,322	38,468	<100%
Accrued Liabilities	37,325	-	6,734	-	<100%
Accrued Interest Payable	37,526	22,846	-	-	<100%
Consumer Overpayments and Deposits	-	82,880	-	82,056	1.00%
Unearned Revenue	-	-	177,903	-	(100.00%)
Compensated Absences	116,355	37,392	104,949	29,730	14.16%
Net Pension Liability	3,106,827	1,184,411	3,455,239	651,741	4.49%
Long-Term Debt	2,158,509	1,669,223	1,901,763	1,728,523	5.44%
TOTAL LIABILITIES	6,424,629	3,041,706	5,872,910	2,530,518	12.65%
Deferred Inflows of Resources - Pensions	66,863	49,040	124,565	(26,345)	18.00%
NET POSITION					
Net Investment in Capital Assets	18,776,717	2,465,645	18,560,440	2,524,886	0.74%
Restricted for:					
State and Federal Programs	1,286,376	-	1,176,200	-	9.37%
Debt Service	663,756	-	387,352	-	71.36%
Capital Projects	3,241,676	-	3,558,314	-	(8.90%)
Special Purpose	795,743	-	410,852	-	93.68%
Unrestricted	2,894,143	107,487	2,229,758	668,607	3.56%
TOTAL NET POSITION	\$ 27,594,065	\$ 2,573,132	\$ 26,803,572	\$ 3,193,493	0.57%

The current year balances include prior period adjustments which are disclosed in footnote 23.

*In prior year, the advances were presented as assessment receivables, in current year, the assessment receivable balances adjusted for current year activity have been reclassified to advances. The advances within governmental funds have offset each other on the financial statement.

Changes in Net Position

The City's total revenues, including business-type activities, were \$8,712,945. Most of the revenue comes from various taxes, \$4,929,032 (56.57%). Operating Grants accounted for \$1,196,733, (13.73%) and combined charges for services totaled \$2,128,087 (24.42%) of total revenues.

The total cost of all programs and services, including business-type activities, was \$6,944,981. The City's expenses are predominately related to General Government and Public Safety (50.29%). Water Services accounted for 25.80% of total costs. The remaining expenses accounted for community and debt service costs.

Table 2
Changes in Net Position

	Governmental Activities 2019	Business- Type Activities 2019	Governmental Activities 2018	Business- Type Activities 2018	Total Percentage Change 2019-2018
REVENUES					
Program Revenues:					
Charges for Services	\$ 809,985	\$ 1,318,102	\$ 775,327	\$ 1,332,784	0.95%
Operating Grants	1,196,733	-	762,796	-	56.89%
General Revenues:					
Taxes	4,929,032	-	5,515,985	-	(10.64%)
Rental Income	12,483	-	182,754	-	(93.17%)
Investment Income	185,677	1,474	26,068	1,023	<100%
Miscellaneous	259,459	-	34,724	6,580	<100.00%
Transfers, Net	1,640	(1,640)	45,776	(45,776)	(96.42%)
TOTAL REVENUES	7,395,009	1,317,936	7,343,430	1,294,611	0.87%
PROGRAM EXPENSES					
General Government	1,408,014	-	1,569,154	-	(10.27%)
Public Safety	2,084,507	-	1,875,209	-	11.16%
Public Works	547,234	-	614,421	-	(10.94%)
Community Development	625,700	-	398,745	-	56.92%
Culture and Recreation	271,099	-	340,347	-	(20.35%)
Interest on Long-Term Debt	216,917	-	88,273	-	<100.00%
Water Services	-	1,791,510	-	1,450,440	23.51%
TOTAL EXPENSES	5,153,471	1,791,510	4,886,149	1,450,440	9.60%
INCREASE (DECREASE) IN NET POSITION	2,241,538	(473,574)	2,457,281	(155,829)	(23.18%)
BEGINNING NET POSITION	26,803,572	3,193,493	24,346,291	3,349,322	8.31%
PRIOR PERIOD ADJUSTMENT**	(1,451,045)	(146,787)	-	-	N/A
ENDING NET POSITION	\$ 27,594,065	\$ 2,573,132	\$ 26,803,572	\$ 3,193,493	0.57%

** For the year ended June 30, 2019, the City had a net prior period adjustment of \$(1,451,045) for Governmental Activities and \$(146,787) for Business Type Activities (Note 23) due to adjustments to capitalized assets for proper classification and accumulated depreciation, adjustments for long term debt accounting method for the 2010 bond, and proper allocation the City's share of the Net Pension Liability according to GASB 68.

Governmental Activities

The cost of all governmental activities this year was \$5,153,471.

Table 3 presents the cost of each of the City'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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Government	\$ 1,408,014	\$ 1,569,154	\$ 1,403,641	\$ 1,565,443
Public Safety	2,084,507	1,875,209	1,901,670	1,665,512
Public Works	547,234	614,421	(639,291)	23,922
Community Development	625,700	398,745	9,427	(321,266)
Culture and Recreation	271,099	340,347	254,389	326,142
Interest on Long-Term Debt	216,917	88,273	216,917	88,273
	<u>\$ 5,153,471</u>	<u>\$ 4,886,149</u>	<u>\$ 3,146,753</u>	<u>\$ 3,348,026</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$11,460,036, which reflects an increase from last year's ending fund balance of \$739,598. The prior year fund balance includes a prior period adjustment of \$1,309,181 applicable to the funds with the double asterisk on table 4 below; the footnotes to the financial statements include further information on the prior period adjustment.

Table 4
Governmental Funds Balances and Activity

	<u>Balances and Activity</u>			
	<u>July 1, 2018</u>	<u>Revenues & Other Sources</u>	<u>Expenditures & Other Uses</u>	<u>June 30, 2019</u>
**General Fund	\$ 2,915,475	\$ 5,301,994	\$ 4,195,883	\$ 4,021,586
Utility Users Tax Fund	829,433	446,590	305,927	970,096
**Fowler Public Financing Authority (PFA) Debt Service Fund	2,423,906	157,684	418,563	2,163,027
Citizens' Option for Public Safety (COPS) Fund	188,163	-	188,163	-
Recycling Grant	-	5,000	1,000	4,000
Gas Tax Fund	30,586	122,577	137,123	16,040
Street Projects Fund	-	362,626	455,028	(92,402)
Traffic Congestion Relief Fund	-	7,038	-	7,038
LTF Article 3 Fund	32,405	-	3,736	28,669
**LTF Article 8 Fund	365,748	368	114,980	251,136
Measure C Fund	714,572	207,868	-	922,440
Road Maintenance and Rehabilitation Act SB 1 Fund	23,761	122,062	88,769	57,054
**Community Development Block Grant Fund	795,743	-	-	795,743
Debt Service 88-1 Fund	22,823	59,634	-	82,457
**Assessment City No. 93-1 Fund	(698,016)	135,152	69,731	(632,595)
**Hospital Improvement Fund	(90,000)	21,600	6,600	(75,000)
**Merced Street Fund	(470,000)	100,000	35,000	(405,000)
Debt Service Fire Station Fund	59,500	55,958	103,788	11,670
**Assessment City No. 94-1 Fund	-	-	-	-
Water Well Maintenance Fund	444,753	46,088	87,591	403,250
Groundwater Fund	118,910	65,986	26,636	158,260
General Services Fund	109,735	5,286	37,478	77,543
Law Enforcement Fund	360,631	15,249	-	375,880
Fire Fund	575,544	19,800	510,352	84,992
AB 1600-Streets	83,608	-	480	83,128
Parks Fund	202,275	38,555	-	240,830
Water Fund	351,516	13,017	-	364,533
Sewer Fund	965,498	62,114	-	1,027,612
Storm Drain Fund	97,587	4,486	-	102,073
**Fire Construction Fund	215,285	893,182	912,695	195,772
Highway 99/Merced Street Fund	50,997	169,207	-	220,204
Total	<u>\$ 10,720,438</u>	<u>\$ 8,439,121</u>	<u>\$ 7,699,523</u>	<u>\$ 11,460,036</u>

**Includes prior period adjustments as explained in Note 23.

General Fund Budgetary Highlights

Over the course of the year, the City revises its annual budget to reflect unexpected changes in revenues and expenditures. The City did not revise its budget in the current year. There was no variation between original and final budget revenue and expenditures amount. A schedule of the City's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the City had a net investment of \$24,589,291 in capital assets, comprised as shown on Table 5. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table 5
Capital Assets

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2019	2019	2018	2018	2019-2018
Land	\$ 1,132,979	\$ 255,392	\$ 1,043,531	\$ 191,046	12.46%
Right of Ways	7,447,189	-	7,447,189	-	0.00%
Buildings and Improvements, Net	1,724,088	7,720	1,810,095	8,208	(4.76%)
Machinery and Equipment, Net	162,806	227,469	188,371	257,934	(12.55%)
Infrastructures, Net	8,449,458	3,644,287	9,795,764	3,796,221	(11.02%)
Construction in Progress	1,537,903	-	177,253	-	<100.00%
NET CAPITAL POSITION	\$ 20,454,423	\$ 4,134,868	\$ 20,462,203	\$ 4,253,409	(0.51%)

Long-Term Debt

At year-end, the City had \$8,172,17 in combined debt, as shown in Table 6. More detailed information about the City's debt is presented in the notes to the financial statements.

Table 6
Long-Term Debt

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2019	2019	2018	2018	2019-2018
Compensated Absences	\$ 116,355	\$ 37,392	\$ 104,949	\$ 29,730	14.16%
Net Pension Liability	3,106,827	1,184,411	3,455,239	651,741	4.49%
Revenue Bonds	2,020,000	-	2,330,000	-	(13.30%)
Certificates of Participation	50,000	1,566,600	-	1,600,900	0.98%
Note Payable	54,000	2,623	54,000	2,623	0.00%
Energy Efficiency Retrofit Loan	34,509	-	51,763	-	(33.33%)
TOTAL LONG-TERM DEBT	\$ 5,381,691	\$ 2,791,026	\$ 5,995,951	\$ 2,284,994	(1.31%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the City was aware of several circumstances that could affect its future financial health:

- ❑ The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the City. Health care premiums are predicted to continue to increase into the foreseeable future.
- ❑ The budget assumptions used to prepare the budget for 2020 included a 2% cost of living increase for salary steps.
- ❑ The unfunded CalPERS liability will continue to increase significantly over the next few years and will have a material impact on the City's financial situation. In 2019, the City voters approved a 1% District Sales Tax to help offset the increased costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Margarita Moreno
Finance Director
City of Fowler
128 South Fifth Street

Financial Section

CITY OF FOWLER
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Investments	\$ 9,866,685	\$ 1,094,040	\$ 10,960,725
Investments Held by fiscal agent:			
Restricted	480,803	--	480,803
Receivables:			
Accounts, Net	316,885	146,909	463,794
Intergovernmental	1,124,725	--	1,124,725
Community Loans	361,163	--	361,163
Advances to Enterprise Fund	100,000	--	100,000
Advances to Successor Agency	356,000	--	356,000
Deposits with others	138,316	--	138,316
Capital assets			
Land	1,132,979	255,392	1,388,371
Right of Ways	7,447,189	--	7,447,189
Buildings and Improvements, Net	1,724,088	7,720	1,731,808
Machinery and Equipment, Net	162,806	227,469	390,275
Infrastructures, Net	8,449,458	3,644,287	12,093,745
Construction in Progress	1,537,903	--	1,537,903
Total Assets	<u>33,199,000</u>	<u>5,375,817</u>	<u>38,574,817</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	<u>886,557</u>	<u>288,061</u>	<u>1,174,618</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	968,087	44,954	1,013,041
Accrued liabilities	37,325	--	37,325
Accrued Interest Payable	37,526	22,846	60,372
Consumer Overpayments and Deposits	--	82,880	82,880
Compensated Absences	116,355	37,392	153,747
Noncurrent Liabilities:			
Net Pension Liability	3,106,827	1,184,411	4,291,238
Due within one year	405,254	37,549	442,803
Due in more than one year	1,753,255	1,631,674	3,384,929
Total Liabilities	<u>6,424,629</u>	<u>3,041,706</u>	<u>9,466,335</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pensions	<u>66,863</u>	<u>49,040</u>	<u>115,903</u>
NET POSITION:			
Net Investment in Capital Assets	18,776,717	2,465,645	21,242,362
Restricted For:			
State and Federal Programs	1,286,376	--	1,286,376
Debt Service	663,756	--	663,756
Capital Projects	3,241,676	--	3,241,676
Special Purpose	795,743	--	795,743
Unrestricted	2,829,797	107,487	2,937,284
Total Net Position	<u>\$ 27,594,065</u>	<u>\$ 2,573,132</u>	<u>\$ 30,167,197</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General Government	\$ 1,408,014	\$ --	\$ 4,373
Public Safety	2,084,507	6,205	176,632
Public Works	547,234	175,797	1,010,728
Community Development	625,700	611,273	5,000
Culture and Recreation	271,099	16,710	--
Interest on Long-term Debt	216,917	--	--
Total Governmental Activities	5,153,471	809,985	1,196,733
Business-type Activities:			
Water	1,791,510	1,318,102	--
Total Business-type Activities	1,791,510	1,318,102	--
Total Primary Government	\$ 6,944,981	\$ 2,128,087	\$ 1,196,733
General Revenues:			
Taxes:			
Property			
Sales			
Franchise			
Utility			
Other			
Motor vehicle in-lieu taxes			
Rental Income			
Investment Income			
Miscellaneous			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets - Beginning			
Prior Period Adjustment			
Net Assets - Ending			

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,403,641)		\$ (1,403,641)
(1,901,670)		(1,901,670)
639,291		639,291
(9,427)		(9,427)
(254,389)		(254,389)
(216,917)		(216,917)
<u>(3,146,753)</u>		<u>(3,146,753)</u>
<u>--</u>	\$ (473,408)	<u>(473,408)</u>
<u>--</u>	<u>(473,408)</u>	<u>(473,408)</u>
<u>(3,146,753)</u>	<u>(473,408)</u>	<u>(3,620,161)</u>
1,092,841	--	1,092,841
1,832,996	--	1,832,996
326,099	--	326,099
448,706	--	448,706
595,841	--	595,841
632,549	--	632,549
12,483	--	12,483
185,677	1,474	187,151
259,459	--	259,459
1,640	(1,640)	--
<u>5,388,291</u>	<u>(166)</u>	<u>5,388,125</u>
2,241,538	(473,574)	1,767,964
26,803,572	3,193,493	29,997,065
(1,451,045)	(146,787)	(1,597,832)
<u>\$ 27,594,065</u>	<u>\$ 2,573,132</u>	<u>\$ 30,167,197</u>

CITY OF FOWLER
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Fire Construction Fund
ASSETS AND OTHER DEBITS		
Assets:		
Cash and Investments	\$ 4,266,372	\$ 704,989
Cash with Fiscal Agent	--	--
Accounts Receivable	316,885	--
Due from Other Agencies	648,059	--
Community Loans	--	--
Advances to Other Funds	--	--
Advances to Successor Agency	--	--
Deposits with Others	138,316	--
Total Assets and Other Debits	<u>\$ 5,369,632</u>	<u>\$ 704,989</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 241,496	\$ 509,217
Accrued Liabilities	37,325	--
Unavailable Revenue	95,129	--
Total Liabilities	<u>373,950</u>	<u>509,217</u>
Fund Balances:		
Restricted for:		
Special Purposes	4,000	195,772
Committed for:		
Assigned for:		
Special Purpose	--	--
Unassigned	4,991,682	--
Total Fund Balance	<u>4,995,682</u>	<u>195,772</u>
Total Liabilities and Fund Balance	<u>\$ 5,369,632</u>	<u>\$ 704,989</u>

The accompanying notes are an integral part of this statement.

Fowler Public Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 113,629	\$ 4,781,695	\$ 9,866,685
480,803	--	480,803
--	--	316,885
--	476,666	1,124,725
--	361,163	361,163
100,000	--	100,000
356,000	--	356,000
--	--	138,316
<u>\$ 1,050,432</u>	<u>\$ 5,619,524</u>	<u>\$ 12,744,577</u>
\$ --	\$ 217,374	\$ 968,087
--	--	37,325
--	184,000	279,129
<u>--</u>	<u>401,374</u>	<u>1,284,541</u>
1,050,432	4,814,900	6,065,104
--	403,250	403,250
--	--	4,991,682
<u>1,050,432</u>	<u>5,218,150</u>	<u>11,460,036</u>
<u>\$ 1,050,432</u>	<u>\$ 5,619,524</u>	<u>\$ 12,744,577</u>

CITY OF FOWLER**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balances - governmental funds balance sheet \$ 11,460,036

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	20,454,423
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,020,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(37,526)
Payables for notes which are not due in the current period are not reported in the funds.	(138,509)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(116,355)
Revenue receivables unavailable to pay for current period expenditures are deferred in the funds.	279,129
The City's net pension liability and the related DROs & DRIs are not reported in the funds.	(2,287,133)

Net position of governmental activities - Statement of Net Position \$ 27,594,065

The accompanying notes are an integral part of this statement.

CITY OF FOWLER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Fire Construction Fund
Revenue:		
Taxes	\$ 3,330,374	\$ --
License and Permits	1,266,169	--
Fines and Penalties	10,747	--
Revenue from Use of Money and Property	37,212	--
Charges for Service	524,399	--
Intergovernmental Revenue	191,696	--
Miscellaneous	204,824	--
Total revenues	<u>5,565,421</u>	<u>--</u>
Expenditures:		
Current:		
General Government	1,139,589	--
Public Safety	1,831,085	--
Public Works	311,618	--
Community Development	561,421	--
Culture and Recreation	294,639	--
Capital Outlay	57,628	912,695
Debt Service		
Principal	--	--
Interest	--	--
Total Expenditures	<u>4,195,980</u>	<u>912,695</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,369,441</u>	<u>(912,695)</u>
Other Financing Sources (Uses):		
Operating Transfers In	--	893,182
Operating Transfers Out	(306,830)	--
Total Other Financing Sources (Uses)	<u>(306,830)</u>	<u>893,182</u>
Net Change in Fund Balances	1,062,611	(19,513)
Fund Balances - Beginning	3,397,884	197,260
Prior Period Adjustment	535,187	18,025
Fund Balances - Ending	<u>\$ 4,995,682</u>	<u>\$ 195,772</u>

The accompanying notes are an integral part of this statement.

Fowler Public Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 135,152	\$ 59,634	\$ 3,525,160
--	--	1,266,169
--	--	10,747
157,684	3,264	198,160
--	46,088	570,487
--	1,196,997	1,388,693
--	--	204,824
<u>292,836</u>	<u>1,305,983</u>	<u>7,164,240</u>
7,043	--	1,146,632
--	--	1,831,085
--	190,231	501,849
--	149,513	710,934
--	37,958	332,597
--	456,865	1,427,188
310,000	17,254	327,254
212,851	238	213,089
<u>529,894</u>	<u>852,059</u>	<u>6,490,628</u>
<u>(237,058)</u>	<u>453,924</u>	<u>673,612</u>
121,600	71,936	1,086,718
--	(713,902)	(1,020,732)
<u>121,600</u>	<u>(641,966)</u>	<u>65,986</u>
(115,458)	(188,042)	739,598
785,684	5,030,429	9,411,257
380,206	375,763	1,309,181
<u>\$ 1,050,432</u>	<u>\$ 5,218,150</u>	<u>\$ 11,460,036</u>

CITY OF FOWLER**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ 739,598

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	1,427,187
The depreciation of capital assets used in governmental activities is not reported in the funds.	(383,225)
Transfers of assets decrease net position in the SOA but not in the funds.	(64,346)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	279,129
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	310,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	17,254
(Increase) decrease in accrued interest from beginning of period to end of period.	(3,828)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(11,406)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(50,000)
Pension expense adjustments relating to GASB 68 are recorded in the SOA but not in the funds.	(18,825)

Change in net position of governmental activities - Statement of Activities \$ 2,241,538

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2019

	Water Fund
ASSETS:	
Current Assets:	
Cash and Investments	\$ 1,094,040
Accounts Receivable, Net	146,909
Total Current Assets	<u>1,240,949</u>
Noncurrent Assets:	
Fixed Assets:	
Land	255,392
Buildings and Improvements, Net	7,720
Machinery and Equipment, Net	227,469
Infrastructures, Net	3,644,287
Total Noncurrent Assets	<u>4,134,868</u>
Total Assets	<u>5,375,817</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension	<u>288,061</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	44,954
Interest Payable	22,846
Consumer Overpayments and Deposits	82,880
Compensated Absences	37,392
Total Current Liabilities	<u>188,072</u>
Noncurrent Liabilities:	
Net Pension Liability	1,184,411
Due in one year	37,549
Due in more than one year	1,631,674
Total Noncurrent Liabilities	<u>2,853,634</u>
Total Liabilities	<u>3,041,706</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension	<u>49,040</u>
NET POSITION:	
Investment in Capital Assets, Net of Related Debt	4,134,868
Unrestricted (Deficit)	(1,561,736)
Total Net Position	<u>\$ 2,573,132</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Water Fund
OPERATING REVENUES:	
Charges for services	\$ 1,318,102
OPERATING EXPENSES:	
Personnel costs	1,066,640
Materials and Supplies	119,712
Contract Services	64,550
Utilities	182,973
Insurance	25,172
Repairs and Maintenance	57,562
Rent and leases	9,600
Depreciation	182,888
Bad Debt Expense	(6,625)
Other	14,541
Total Operating Expenses	1,717,013
Operating Income	(398,911)
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	1,474
Interest Expense	(74,497)
Total Non-operating Revenues (Expenses)	(73,023)
Income before Transfers	(471,934)
Interfund Operating Transfers In	64,346
Interfund Operating Transfers Out	(65,986)
Change in Net Position	(473,574)
Total Net Position - Beginning	3,193,493
Prior Period Adjustment	(146,787)
Total Net Position - Ending	\$ 2,573,132

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,295,272
Cash Payments to Suppliers for Goods and Services	402,558
Cash Payments to Employees for Services	556,344
Other Operating Cash Receipts (Payments)	979
Net Cash Provided (Used) by Operating Activities	<u>335,391</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	(1,640)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,640)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(133,797)
Payment to Acquire Fixed Assets	(64,346)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(198,143)</u>
Cash Flows from Investing Activities:	
Interest Income	1,474
Net Cash Provided (Used) for Investing Activities	<u>1,474</u>
Net Increase (Decrease) in Cash and Cash Equivalents	137,082
Cash and Cash Equivalents at Beginning of Year	956,958
Cash and Cash Equivalents at End of Year	<u>\$ 1,094,040</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (398,911)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	182,888
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(23,654)
Decrease (Increase) in Inventory	58,442
Increase (Decrease) NPL & related DRO & DRI	502,634
Increase (Decrease) in Accounts Payable	6,485
Increase (Decrease) in Interest Payable	(979)
Decrease (Increase) in Customer Deposits	824
Increase (Decrease) in Compensated Absences	7,662
Total Adjustments	<u>734,302</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 335,391</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Redevelopment Successor Agency Private-Purpose Trust Fund
ASSETS:	
Cash and Investments	\$ 97,575
Total Current Assets	<u>97,575</u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	3,600
Accrued Liabilities	9,907
Total Current Liabilities	<u>13,507</u>
Noncurrent Liabilities	
Due in more than one year	356,000
Total Noncurrent Liabilities	<u>356,000</u>
Total Liabilities	<u>369,507</u>
NET POSITION	
Restricted	(271,932)
TOTAL NET POSITION	<u>\$ (271,932)</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	Redevelopment Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Tax Revenue	\$ 109,232
Total Additions	<u>109,232</u>
DEDUCTIONS:	
Personnel Costs	10,498
Professional Services	9,784
Debt Service - Interest	<u>38,250</u>
Total Deductions	<u>58,532</u>
Change in Fiduciary Net Position	50,700
Net Position-Beginning of the Year	(156,838)
Prior Period Adjustment	<u>(165,794)</u>
Net Position-End of the Year	<u>\$ (271,932)</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Statement

The City of Fowler, California was incorporated June 15, 1908. The City is a general law city and as such draws its authority from the constitution and laws of the State of California. The City has a council/manager form of government and is governed by a five member elected council. The City Manager is appointed by the City Council. The City provides the following services: police and fire protection, street construction and maintenance, public improvements, planning and zoning, recreation, and general administrative services. The City also operates the water utility enterprise.

The accounting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public accountants in the publication entitled *Audits of State and Local Governmental Units*.

2. Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Fowler

Blended Component Units: Fowler Public Financing Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Component Unit	Brief Description/Inclusion Criteria	Reporting
Fowler Public Financing Authority	The Fowler Public Financing Authority is a joint exercise of powers agency 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 current City Council serves as entire governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Debt Service Fund

3. Basis of Presentation, Basis of Accounting

a. Change in Accounting Policies

The City has adopted accounting policies compliant with new pronouncements issued by the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 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.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The City has implemented the provisions of this Statement as of June 30, 2019.

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The City has implemented the provisions of the Statement as of June 30, 2019.

b. 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 City, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. The City does not allocate indirect expenses on the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or 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 City 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. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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 City has presented the following major governmental funds:

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The Fire Construction Fund is used to account separately for construction costs for the new fire station.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The Fowler Public Financing Authority (PFA) Debt Service Fund accounts for PFA debt.

The City reports the following non-major governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are utilized by the City:

- The Recycling Grant Fund is used to account separately from state revenues used for recycling initiatives of the City.
- The Gas Tax Fund is used to account separately for state revenues used for street and road purposes.
- The Street Projects Fund is used to account separately for federal and state revenues used for local street projects.
- The Traffic Congestion Relief Fund is used to account separately for state grant revenues used for transportation projects that improve traffic mobility and relieve congestion, connect transportation systems, and provide for better goods movement.
- The LTF Article 3 Fund is used to account separately for state revenues used for local pedestrian and bicycle path projects.
- LTF Article 8 Fund is used to account separately for state revenues used for local streets and roads projects.
- The Measure C Fund is used to account separately for County revenues used for roads and transportation projects in Fresno County.
- The Road Maintenance and Rehabilitation Act SBI Fund is used to account separately for state revenues used for transportation projects.
- The Community Development Block Grant Fund is used to account separately for state grant funding to assist in development activities.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general-long term debt principal, interest, and related costs. The following debt service funds are maintained by the City:

- The Debt Service 88-1 Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.
- The Debt Service Fire Station Fund is used to account separately for debt service for the new fire station.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The City maintains the following capital projects funds:

- The Water Well Maintenance Fund is used to account separately for water well maintenance fees collected by the City through the building permit system as well as to track the expenses incurred by the City to maintain its water wells.
- The Groundwater Fund is used to account for fees paid to the Consolidated Irrigation District (District) to be placed into a groundwater management and replenishment fund for purposes of implementing groundwater replenishment methodologies to benefit the City and District.
- The General Services Fund is used to account for developer fees provided for equipment, construction and maintenance of general City assets.
- The Law Enforcement Fund is used to account for developer fees provided for the purchase of vehicles and equipment.
- The Fire Department Fund is used to account for developer fees provided for the purchase of vehicles and equipment.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

- The AB 1600-Streets Fund is used to account for development impact fees to be used to reduce the impact of costs related to street maintenance and improvements.
- The Parks Fund is used to account for developer fees provided for equipment, construction and maintenance of park facilities.
- The Water Fund is used to account for developer fees provided for equipment, construction and maintenance of public works facilities.
- The Sewer Fund is used to account for developer fees provided for infrastructure construction and improvement.
- The Storm Drain Fund is used to account for developer fees provided for construction and maintenance of City infrastructure.
- The Highway 99/Merced Street Fund is used to account for developer fees provided for street and highway maintenance and construction.

In addition, the City reports the following fund types:

Proprietary Fund - Water Fund: This fund accounts for financial activity of the water utility system. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the costs of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent and are, therefore, not available to support City programs, these funds are not included in the government-wide financial statements. The Private-Purpose Trust Fund is used to account for the Assets of the former City of Fowler Redevelopment Agency during the wind down period.

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 position 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 City 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

4. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

5. Budgets and Budgetary Accounting

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

- a. 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.
- b. The City Council approves the line item budget appropriations and also approves all additions or transfers of budgeted amounts.
- c. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
- d. The budget amounts shown in the financial statements are the final authorized amounts revised during the year.

6. Assets, Liabilities, and Equity

a. Cash and Cash Equivalents

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

b. Property Taxes

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

c. Receivable and Payable Balances

The City has provided detail of the receivable balances in Note 10. The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

d. Loans Receivable

For the purpose of the Fund Financial Statements, Special Revenue Fund expenditures relating to long-term loans arising from loan subsidy programs are recorded as Community Loans Receivable.

e. Inventory and Prepaid Expenditures

Inventory items are recorded as expenditures at the time of purchase. Records are not maintained of inventory and supplies on hand.

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items.

f. 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.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 - 50 Years
Improvements	5 - 10 Years
Machinery and Equipment	3 - 25 Years
Infrastructure	20 - 40 Years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the June 30, 2019 basic financial statements.

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

g. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned or unused vacation leave. Vacation is accumulated at 6-2/3 hours per month for full-time regular employees with less than 5 years' service to a maximum of 13-1/3 hours per month for full-time regular employees with over 10 years of service. Maximum vacation leave accumulated may not exceed 320 hours at any one time. Vacation leave may be taken as determined by the employee's Department Head, City Manager, or Council (in case of Department Heads) with due consideration for the employee's wishes and needs of the service provided. At June 30, 2019, the amount of accrued vacation pay was \$116,355 for the Governmental Activities, and \$37,392 for the Business—Type Activities.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

h. Unearned revenue

Cash received for federal and state projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

j. Deferred Outflows/Inflows of Resources

Deferred outflows of resources is a consumption of net assets or position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

k. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt 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. 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.

l. Fund 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 City:

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 City's highest level of decision-making authority. This formal action is the majority vote of the City's Governing Board.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
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Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. 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 City 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 City'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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

m. Net Position

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

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 position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

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

n. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Fowler's California Public Retirement System (CalPERS) Plan (Plan) and additions to/deductions from the Plan's 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

o. 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.

7. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds that have deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Redevelopment Successor Agency Private-Purpose Trust	\$ (271,932)	Deficit fund balance will be reduced with the future receipt of tax increment revenues.
The Street Projects Fund	\$ (92,402)	Deficit fund balance will be reduced by transferring in available cash from another fund.
The Assessment District 93-1 Fund	\$ (632,595)	Deficit fund balance will be reduced by transferring in available cash from another fund.
The Hospital Improvement Fund	\$ (75,000)	Deficit fund balance will be reduced by transferring in available cash from another fund.
The Merced Street Fund	\$ (405,000)	Deficit fund balance will be reduced by transferring in available cash from another fund.

8. Excess Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
General Government	\$ 533
Community Development	\$282,492

The City exceeded budgeted expenditures in the General Fund, Community Development due to additional expenditures incurred for street projects. The excess expenditures in the General Fund, General Government are not significant.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

9. Cash and Investments

Summary of Cash and Investments

Cash and Investments at June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Governmental Activities:

Cash and Investments	\$ 9,866,685
Restricted Cash with a fiscal agent/trustee	480,803

Business Type Activities:

Cash and Investments	1,094,040
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Fiduciary Funds:

Cash and Investments	97,576
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\$ 11,539,104

Cash and investments as of June 30, 2019 consist of the following:

Deposits with financial institutions	\$ 10,268,126
Cash on hand	700
Investments	789,475
Cash with a fiscal agent/trustee	480,803
	<u>\$ 11,539,104</u>

Investment Authorized by the California government Code and the City's Investment Policy

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53602 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the Finance Director in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the Finance Director the authority to invest city funds and to deposit securities.

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

(a) Collateral for Deposits

The City of Fowler maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net position as cash and investments. The carrying amount of the City's cash deposits was \$10,170,550 at June 30, 2019 (excludes cash deposits of fiduciary fund). The general bank balance at June 30, 2019 was \$10,332,066 (excludes cash in bank of fiduciary fund) which was either insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

(b) Local Agency Investment Fund (LAIF)

The City participates in an external investment pool, as defined by GASB Statement No. 31, by way of its funds on deposit in the LAIF managed by the State of California. These funds are pooled with those of other agencies in the State and invested in accordance with state guidelines. Substantially all information required for the GASB Statement No. 31 disclosure was unavailable at the time these financial statements were prepared. The balance of \$789,475 approximates the fair value. Investment gains and losses are shared proportionately by all members of LAIF and paid quarterly to each member. Investment in LAIF is not subject to risk categorization.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Investments authorized by Debt Agreement

The balance of \$480,803 includes the bond issue proceeds trust accounts which consist of proceeds from bonds which are unspent or reserved. These funds are required to be held by outside fiscal agents under the provisions of the bond agreements. The California Government Code provides these monies in the absence of specific statutory provision governing the issuance of the certificates, may be invested in accordance with ordinance, resolutions, or indentures specifying the types of investments the fiscal agent may make. These investments are generally more restrictive than the City's investment policy, and at no time have additional investments not permitted by the City's investment policy been authorized.

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

Securities of the U.S. Government, or its agencies Local agency investment fund deposits (state pool)

Certificates of deposit (or time deposits) placed with Passbook savings account demand deposits commercial banks and/or savings & loan companies Small business administration loan.

Negotiable certificates of deposit
 Bankers' acceptances
 Commercial paper

Repurchase agreements
 Reverse repurchase agreements

All of the City's investment activities are within state statutes and the City's investment policy. During the year ended June 30, 2019, the City did not utilize investment types different from those categorized below. A summary of investment securities by category as of June 30, 2019 is as follows:

	<u>Fair Value</u>
Money Market Cash With Fiscal Agent	<u>\$480,803</u>

The fair value of investments held in the City Treasury grouped by maturity at June 30, 2019, is as shown below:

Maturity

Current to one year	<u>\$480,803</u>
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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 City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City invests solely in the Local Agency Investment Fund. All other assets are cash equivalents held in financial institution savings or checking accounts.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 City'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.

None of the City's deposits that were in excess of federal depository insurance limits with financial institutions were held in uncollateralized accounts.

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'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.

Investment in State Investment Pool

The City is a voluntary participant in the 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 investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the account records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The City categorizes the fair value measurements with the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that they City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs that are derived principally from on corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and include the City's own data.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
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The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgement by the City's management. City management considers observable data to be the market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant markets.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City Management's perceived risk of that investment. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's asset manager from a third-party service provider.

The City has no investments subject to categorization.

Investments Not Subject to Fair Value Hierarchy:		
California Local Agency Investment Fund		\$ 789,475
Held with Fiscal Agent:		
Money Market Mutual Funds		<u>480,803</u>
Total Investment Portfolio		<u>\$ 1,270,278</u>

10. Accounts Receivable

Receivable balance as of June 30, 2019, consist of the following:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Funds -			
Accounts Receivable	\$ 316,885	\$ -	\$ 316,885
Due from Other Agencies	1,124,725	-	1,124,725
Enterprise Fund -			
Accounts Receivable	\$ 178,537	\$ (31,628)	\$ 146,909

11. Interfund Balances and Activities

a. Transfers To and From Other Funds

Transfer in to and out from other funds at June 30, 2019, consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Hospital Improvement Fund	\$ 21,600	To fund the 1993 Senior Center Sublease local obligation payments.
Utility users Tax Fund	Fire Construction Fund	285,230	Contribution for new fire station construction
Gas Tax Fund	Merced Street Fund	100,000	To fund Merced Street improvement local obligation payment.
Water Fund - Enterprise	Ground Water Fund	65,986	To transfer CID fees.
Fire Department Fund	Debt Service Fire Station Fund	5,950	To account for fire station project reserve proceeds in proper fund.
Debt Service Fire Station Fund	Fire Construction Fund	103,550	To account for USDA COP proceeds in proper fund.
Fire Department Fund	Fire Construction Fund	504,402	Contribution for new fire station construction costs.
		<u>\$ 1,086,718</u>	

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

12. Capital Assets

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

	Beginning Balance July 1, 2018	Prior Period Adjustment	Increases	Decreases	Ending Balance June 30, 2019
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,043,531	\$ 153,794	\$ -	\$ 64,346	\$ 1,132,979
Right of ways	7,447,189	-	-	-	7,447,189
Construction in progress	177,253	(1,500)	1,362,150	-	1,537,903
Total capital assets not being depreciated	8,667,973	152,294	1,362,150	64,346	10,118,071
Capital assets being depreciated:					
Buildings and improvements	2,864,159	-	-	-	2,864,159
Machinery and equipment	2,118,592	-	65,037	-	2,183,629
Infrastructures	15,396,107	-	-	-	15,396,107
Total capital assets being depreciated	20,378,858	-	65,037	-	20,443,895
Less accumulated depreciation for:					
Buildings and improvements	1,054,064	-	86,007	-	1,140,071
Machinery and equipment	1,930,221	-	90,602	-	2,020,823
Infrastructures	5,600,343	1,139,690	206,616	-	6,946,649
Total accumulated depreciation	8,584,628	1,139,690	383,225	-	10,107,543
Total capital assets being depreciated, net	11,794,230	(1,139,690)	(318,188)	-	10,336,352
Governmental activities capital assets, net	20,462,203	(987,396)	1,043,962	64,346	20,454,423
Business-type activities:					
Capital assets not being depreciated:					
Land	191,046	-	64,346	-	255,392
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	191,046	-	64,346	-	255,392
Capital assets being depreciated:					
Buildings and improvements	12,186	-	-	-	12,186
Machinery and equipment	480,718	-	-	-	480,718
Infrastructures	6,077,395	-	-	-	6,077,395
Total capital assets being depreciated	6,570,299	-	-	-	6,570,299
Less accumulated depreciation for:					
Buildings and improvements	3,978	-	488	-	4,466
Machinery and equipment	222,784	-	30,465	-	253,249
Infrastructures	2,281,172	-	151,936	-	2,433,108
Total accumulated depreciation	2,507,934	-	182,889	-	2,690,823
Total capital assets being depreciated, net	4,062,365	-	(182,889)	-	3,879,476
Business-type activities capital assets, net	4,253,411	-	(118,543)	-	4,134,868
Total capital assets	\$ 24,715,614	\$ (987,396)	\$ 925,419	\$ 64,346	\$ 24,589,291

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 237,218
Public safety	28,526
Public works	103,770
Parks and recreation	13,711
Total	<u>\$ 383,225</u>

13. Community Loans Receivable

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants (CDBG) from the U.S. Department of Housing and Urban Development. These grants are used to provide loan funding for small businesses in the City of Fowler. The purpose is to develop growth and create jobs in the community of Fowler. The loans are made at reasonable rates. The total loans receivable for the CDBG community loans is \$361,163 and is presented on the City's financial statements as noted below.

2% loan to Dale Brisco, Inc. due in monthly installments of \$644 including principal and interest.	\$ 5,933 *
2% loan to La Quinta due in monthly installments of \$2,583 including principal and interest.	286,757 *
No interest loan to Nouveau Hair Salon due in monthly installments of \$179	300
No interest loan to Espana & Associates due in monthly installments of \$119	4,879 *
No interest loan to Borga Steel Buildings and Components due in monthly installments of \$833.	<u>63,294</u>
Total Community Loans Receivable	<u>361,163</u>

* Loans in arrears as of June 30, 2019.

14. Advances Receivable

The City advanced funds in order to fund improvements within the City of Fowler. The funds noted below are responsible for repayment of advances at June 30, 2019:

Advances to Water Fund	\$ 100,000
Advances to Successor Agency	356,000
	<u>\$ 456,000</u>

Future commitments to the City follow:

<u>Year Ended</u> <u>June 30</u>	
2020	\$ 115,650
2021	114,450
2022	113,600
2023	112,050
2024	109,800
2025-2026	-
	<u>565,550</u>
Interest	<u>(109,550)</u>
Total	<u>\$ 456,000</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

15. Long-Term Obligations

a. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2019, are as follows:

	Beginning Balance July 1, 2018	Prior Period Adjustment	Increases	Decreases	Ending Balance June 30, 2019	Amounts Due Within One Year
Governmental activities:						
Compensated Absences	\$ 104,951	\$ -	\$ 11,404	\$ -	\$ 116,355	\$ 116,355
Revenue bonds	1,796,000	534,000	-	310,000	2,020,000	315,000
Land Purchase Note	54,000	-	-	-	54,000	54,000
Energy Efficiency Retrofit Loan	51,763	-	-	17,254	34,509	17,254
2018 Certificate of Participation	-	-	50,000	-	50,000	19,000
	<u>2,006,714</u>	<u>534,000</u>	<u>61,404</u>	<u>327,254</u>	<u>2,274,864</u>	<u>521,609</u>
Business-type activities:						
Compensated Absences	29,730	-	7,662	-	37,392	37,392
State of California:						
Certificates of participation	1,600,900	-	-	34,300	1,566,600	35,800
Revenue Bond	125,000	(125,000)	-	-	-	-
Department of Water						
Resources note	2,623	-	-	-	2,623	1,749
	<u>1,758,253</u>	<u>(125,000)</u>	<u>7,662</u>	<u>34,300</u>	<u>1,606,615</u>	<u>74,941</u>
Trust Activities:						
Successor Agency - Revenue						
Bond	409,000	(409,000)	-	-	-	-
Total	<u>\$ 4,173,967</u>	<u>\$ -</u>	<u>\$ 69,066</u>	<u>\$ 361,554</u>	<u>\$ 3,881,479</u>	<u>\$ 596,550</u>

b. Revenue Bonds

The Fowler Public Financing Authority issued Refunding Revenue Bonds in the amount of \$4,435,000 in August 2012. The proceeds from the bonds were used to refund the \$4,190,000 principal amount outstanding on the 1993 and 1994 Revenue Bonds and pay the costs of issuance of the bonds. The Bonds mature through September 2027 with interest ranging from 2% to 5.10% payable semi-annually on March 15 and September 15.

The outstanding revenue bonds of the City of Fowler at June 30, 2019, are as follows:

Date of Issue	Interest Rate%	Maturity Date	Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
2010	2.00-5.10	2023	<u>\$ 4,435,000</u>	<u>\$ 2,330,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 2,020,000</u>

The annual requirements to amortize revenue bonds outstanding as of June 30, 2019, are as follows:

Year Ended June 30	Principal	Interest	Total
2020	\$ 315,000	\$ 94,106	\$ 409,106
2021	330,000	78,375	408,375
2022	355,000	61,073	416,073
2023	375,000	42,458	417,458
2024	645,000	16,448	661,448
Total	<u>\$ 2,020,000</u>	<u>\$ 292,460</u>	<u>\$ 2,312,460</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Land Purchase Note

On February 24, 2010, the City purchased 8 acres of land located at South and Sunnyside Avenues for a price of \$432,000 payable in 8 annual installments of \$54,000 at no interest. Payments to commence January 6, 2011, and annually thereafter on or before January 6th until paid in full. As of June 30, 2019, the outstanding balance is \$54,000.

d. Energy Efficiency Retrofit Loan

In October 2014, the City received a loan of \$112,153 from Pacific Gas & Electric to complete energy conservation measures related to street lighting. The loan call for monthly payments of \$1,438 until April 2021 and bears no interest. Future payments are as follows:

Year Ended June 30	
2020	\$ 17,254
2021	17,255
Total	<u>\$ 34,509</u>

e. 2018 Certificates of Participation

On December 18, 2018, the City was awarded a loan from the United States Department of Agriculture, Rural Development Division, for a total of \$1,316,950. The purpose of the loan is for the construction of a Fire Station for the City of Fowler. As of June 30, 2019, the City has drawn \$50,000 at a stated interest rate of not more than 2.375% per annum. Principal payments will be due on September 1 of each year. Interest is due semi-annually on March 1 and September 1 of each year.

The annual requirements to amortize \$50,000 in funds drawn to date and the balance to yet be disbursed of the 2018 certificates of participation outstanding as of June 30, 2019, are as follows:

Year Ended June 30	Principal	Interest	Total
2020	\$ 19,000	\$ 23,689	\$ 42,689
2021	20,000	31,281	51,281
2022	20,000	31,314	51,314
2023	21,000	30,233	51,233
2024	22,000	29,728	51,728
2025-2029	118,000	140,650	258,650
2030-2034	133,000	125,661	258,661
2035-2039	150,000	108,830	258,830
2040-2044	168,000	89,955	257,955
2045-2049	190,000	68,806	258,806
2050-2054	215,000	44,718	259,718
2055-2059	240,950	17,669	258,619
2060-2064	-	-	-
2065-2069	-	-	-
Total	<u>\$ 1,316,950</u>	<u>\$ 742,534</u>	<u>\$ 2,059,484</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

f. Certificates of Participation

On September 2, 2004, the City was awarded a loan from the United States Department of Agriculture, Rural Development Division, for a total of \$1,935,000. The purpose of the loan is for water system improvements. As of June 30, 2019, the City has drawn \$1,566,600 at a stated interest rate of not more than 4.375% per annum. Principal payments will be due on September 15 of each year. Interest is due semi-annually on March 15 and September 15 of each year.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2019, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,800	\$ 67,755	\$ 103,555
2021	37,300	66,157	103,457
2022	38,900	64,490	103,390
2023	40,700	62,748	103,448
2024	42,400	60,931	103,331
2025-2030	241,700	274,490	516,190
2030-2034	299,500	215,502	515,002
2035-2039	370,900	142,452	513,352
2040-2044	459,400	51,962	511,362
Total	<u>\$ 1,566,600</u>	<u>\$ 1,006,487</u>	<u>\$ 2,573,087</u>

g. State of California Department of Water Resources Note

The State of California Department of Water Resources note is due in annual installments based upon a changing percentage of the original principal amount. The interest for the first five years of the note was deferred and is being paid in equal annual installments over the remaining life of the note.

The annual requirements to amortize the long-term notes outstanding as of June 30, 2019 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,749	\$ -	\$ 1,749
2021	874	-	874
Total	<u>\$ 2,623</u>	<u>\$ -</u>	<u>\$ 2,623</u>

16. Commitments Under Noncapitalized Leases

a. Office Equipment

The City has entered into operating leases for a postage meter and a copier with lease terms in excess of one year. These agreements contain no purchase options. The agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but is unlikely that the City will cancel the agreement prior to the expiration date. Future minimum lease payments under these agreements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2020	\$ 11,855
2021	10,079
2022	6,525
2023	4,350
Total	<u>\$ 32,809</u>

The City will receive no sublease rental revenues nor pay any contingent rentals for the postage meters or copier.

The City made lease payments of \$10,689 for this equipment during the year ended June 30, 2019.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

17. Detail of Fund Balance Classifications

Details of assigned Fund Balances are as follows:

	Other Governmental Funds
Assigned for: Water Well Maintenance	\$ 403,250

18. Pension Plans

a. General Information About the Pension Plan (CalPERS)

1. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Fowler's (City) sponsors four rate plans (two miscellaneous and two safety.) Benefit provisions under the Plan 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.

2. 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 year 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 the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at ending June 30, 2019, are summarized as follows:

	Miscellaneous	
	1st Tier	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.7% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	12.212%	6.842%
	Safety	
	1st Tier	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	18.677%	12.141%

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Beginning of fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$286,370 for the fiscal year ended June 30, 2019.

3. Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actual and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amounts necessary to finance the costs of the 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 of employees. Employer contributions may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City's contributions to the plan recognized as pension expense for the year ended June 30, 2019 were \$454,404.

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported net pension liability for its proportionate share of the net pension liability of the Plan of \$4,291,238.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.0440%
Proportion - June 30, 2018	<u>0.0445%</u>
Change - Increase (Decrease)	<u>0.0005%</u>

For the year ended June 30, 2019, the City recognized pension expense of \$1,032,601. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 511,142	\$ -
Differences between actual and expected experience	97,993	12,880
Change in assumptions	386,341	75,766
Differences between the employer's contributions and the employer's proportionate share of contributions	85,235	-
Net difference between projected and actual earnings on plan investments	21,156	-
Change in City's Proportion	<u>72,751</u>	<u>27,257</u>
Total	<u>\$ 1,174,618</u>	<u>\$ 115,903</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

\$511,142 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, 2020.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2020	\$ 418,570
2021	256,804
2022	(98,740)
2023	(29,061)
Total	<u>\$ 547,573</u>

1. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age - Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.30% - 14.20% (1)
Investment Rate of Return	7.15% (2)
Mortality	Derived from CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment.
- (2) Net of pension plan investment expenses, including inflation.
- (3) The mortality tables was developed based on CalPERS specified data. The tables includes 15 years of mortality improvements using Society of Actuaries Scale of 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

2. Change of Assumption

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

3. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily requires rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, Fixed Incomes is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included on both Global Equity Securities and Global Debt Securities.
 (b) An expected inflation of 2.00% used for this period.
 (c) An expected inflation of 2.92% used for this period.

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

The following represents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's 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:

Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$ 6,339,444	\$ 4,291,238	\$ 2,606,067

5. Pension Plan Fiduciary Net Position

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

6. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

19. Joint Ventures (Joint Powers Agreements)

a. Central San Joaquin Valley Risk Management Authority

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

The City is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and worker's compensation losses under \$10,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000 and purchases excess reinsurance from \$10,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides worker's compensation coverage from \$350,000 to \$500,000 and purchases excess reinsurance above \$500,000 to the statutory limit.

The CSJVRMA is a consortium of one hundred sixty (160) public entities in California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three times per year, consisting of one representative appointed by each member. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial position and results of operations for the CSJVRMA as of June 30, 2019 is presented below:

Total Assets	\$ 128,442,162
Total Liabilities	109,661,346
Members' Equity	<u>\$ 18,780,816</u>
Total Revenues for Year	\$ 53,699,356
Total Expenses for Year	52,943,942
Excess of Income Over (Under) Expenses	<u>\$ 755,414</u>

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

At June 30, 2019 the City reported \$138,316 as Deposits with Others in the Governmental Funds related to the general liability and workers' compensation programs.

b. Municipalities, Colleges, Schools Insurance Group

The Municipalities, Colleges, Schools Insurance Group (MCSIG) is a public risk sharing pool established pursuant to a Joint Powers Agreement effective November 22, 1982, for the purpose of providing a program of employee health coverage to its member organizations. MCSIG includes member school districts, colleges, municipalities, and special districts and covers more than 8,000 employees plus their dependents in the medical, dental and vision programs. A member may voluntarily withdraw from MCSIG after having completed three consecutive years as a member. Public Agency Coalition Enterprise (PACE) is an at large district that is a member organization of MCSIG. The City of Fowler has an agreement with PACE and hence is considered a member of MCSIG. The relationship between the City and MCSIG is such that MCSIG is not a component unit of the City for financial reporting purposes. The financial position and results of operations for MCSIG as of June 30, 2019 is presented below:

Total Assets & Deferred Outflows	\$ 12,632,134
Total Liabilities & Deferred Inflows	21,355,733
Member's Equity	<u>\$ (8,723,599)</u>
Total Revenues for Year	\$ 117,313,404
Total Expenses for Year	122,901,100
Excess of Income Over (Under) Expenses	<u>\$ (5,587,696)</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Each member's pro rata share in MCSIG's Equity would be computed and distributed in accordance with the joint powers agreement, in the event of dissolution or withdrawal. Deficit net position would be assessed to the members.

20. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

The City participates in various federal and state financial assistance programs. These programs are subject to program compliance audits by the grantors, which may be covered by the *Single Audit Act Amendments of 1997* and *OMB Circular A-133*. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

21. Work in Progress

The City has contract commitments for construction-in-progress as follows:

	Project Authorization	Expended to June 30, 2019	Committed
New Fire Station	\$ 2,061,985	\$ 1,088,488	\$ 973,497
Adams Ave Project	434,290	434,290	-
Temperance/Walters Pedestrian Crossing Improvements	-	15,165	(15,165)
Total Work in Progress		<u>\$ 1,537,943</u>	

22. Deferred Compensation Plan

The City does not provide administrative nor investment advice for the Plan. Therefore, the City is not required to report the Plan assets and has excluded them from their financial statements.

23. Prior Period Adjustment

The following prior period adjustments were made to the Governmental Funds Financial Statements.

General Fund

To remove beginning balance for compensated absences from the governmental fund financial statements and present the balance on the Government-Wide Statement of Net Position.	\$ 104,949
To reverse prior year accounts receivable recorded in error.	(52,546)
To reconcile the City's cash in bank balance.	9,768
To adjust unearned revenue to actual with major adjustment related to 18/19A ROPS/residual payments.	146,389
To allocate excess residual allocation and administrative revenue held in the Successor Agency Private-Purpose Trust Fund.	389,082
To present prior year transient occupancy tax receivable as unavailable revenue.	(39,181)
To expense prior years' expenses posted to developer deposits liability account in error.	(23,274)
	<u>\$ 535,187</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

23. Prior Period Adjustment (Continued)

Fire Construction Fund

To reconcile the City's cash in bank balance.	<u>\$ 18,025</u>
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Fowler Public Financing Authority - Debt Service Fund

To record advances from the Redevelopment Successor Agency Private-Purpose Trust Fund and Water Fund for the General Obligations of the 2010 PFA Bond.	534,000
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To reclassify C/P - Merced St. purchased in FY2005 as capitalized fixed asset - land.	(153,794)
	<u>\$ 380,206</u>

Other Governmental Funds

To record fiscal year 2018 LTF accounts receivable as unavailable revenues.	(9,128)
-----------------------------------------------------------------------------	---------

To record adjusted beginning balance for CDBG loans receivable on the governmental fund financial statements.	384,891
	<u>\$ 375,763</u>

The following prior period adjustments were made to the Government-Wide Financial Statements.

Governmental Activities

To reclassify C/P - Merced St purchased in FY2005 as capitalized fixed asset - land.	\$ 153,794
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To adjust beginning construction in progress to actual.	(1,500)
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To adjust beginning accumulated depreciation balance to actual.	(1,139,690)
-----------------------------------------------------------------	-------------

To adjust the City's allocation of the beginning Net Pension Liability and related deferred outflows and deferred according to GASB 68 to actual for governmental activities.	120,134
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To record all of the opening 2010 Refunding Revenue Bond balance.	(534,000)
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To record prior year's interest expense on debt held by the City.	(49,783)
	<u>\$ (1,451,045)</u>

Business-type Activities

To adjust the City's allocation of the beginning Net Pension Liability and related deferred outflows and deferred inflows according to GASB 68 to actual for the business-type activities.	\$ (122,962)
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To record prior year's interest expense on debt held by the City.	(23,825)
	<u>\$ (146,787)</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

23. Prior Period Adjustment (Continued)

The following prior period adjustments were made to the Statement of Changes in Fiduciary Net Position related to the Redevelopment Successor Agency Private-Purpose Trust Fund.

To allocate excess residual allocation and administrative revenue held in the Successor Agency Private-Purpose Trust Fund.	\$ (389,082)
To eliminate the prior year allocation of the beginning Net Pension Liability and related deferred outflows and deferred inflows according to GASB 68.	223,288
	<u>\$ (165,794)</u>

24. Litigation

The City is involved in litigation which was settled subsequent to year end. The Litigation Settlement is covered by insurance except for the retention amount of \$25,000.

Required Supplementary Information

CITY OF FOWLER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes	\$ 2,717,140	\$ 2,717,140	\$ 3,330,374	\$ 613,234
License and Permits	981,300	981,300	1,266,169	284,869
Fines and Penalties	4,000	4,000	10,747	6,747
Revenue from Use of Money and Property	15,300	15,300	37,212	21,912
Charges for Service	383,250	383,250	524,399	141,149
Intergovernmental Revenue	483,800	483,800	191,696	(292,104)
Miscellaneous	57,000	57,000	204,824	147,824
Total revenues	<u>4,641,790</u>	<u>4,641,790</u>	<u>5,565,421</u>	<u>923,631</u>
Expenditures:				
Current:				
General Government	1,139,056	1,139,056	1,139,589	(533)
Public Safety	2,009,365	2,009,365	1,831,085	178,280
Public Works	371,831	371,831	311,618	60,213
Community Development	278,929	278,929	561,421	(282,492)
Culture and Recreation	405,889	405,889	294,639	111,250
Capital Outlay	430,000	430,000	57,628	372,372
Total Expenditures	<u>4,635,070</u>	<u>4,635,070</u>	<u>4,195,980</u>	<u>439,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,720</u>	<u>6,720</u>	<u>1,369,441</u>	<u>1,362,721</u>
Other Financing Sources (Uses):				
Operating Transfers In	405,000	405,000	--	(405,000)
Operating Transfers Out	(495,483)	(495,483)	(306,830)	(188,653)
Total Other Financing Sources (Uses)	<u>(90,483)</u>	<u>(90,483)</u>	<u>(306,830)</u>	<u>216,347</u>
Net Change in Fund Balances	(83,763)	(83,763)	1,062,611	1,146,374
Fund Balances - Beginning	3,397,884	3,397,884	3,397,884	--
Prior Period Adjustment	--	--	535,187	535,187
Fund Balances - Ending	<u>\$ 3,314,121</u>	<u>\$ 3,314,121</u>	<u>\$ 4,995,682</u>	<u>\$ 1,681,561</u>

CITY OF FOWLER
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	2015	2016	2017	2018	2019
Proportion of the net pension liability	0.0357%	0.0472%	0.0446%	0.0440%	0.0445%
Proportionate share of the net pension liability	\$ 2,241,019	\$ 3,236,451	\$ 3,856,008	\$ 4,363,092	\$ 4,291,238
Covered payroll	\$ 1,558,059	\$ 1,558,059	\$ 1,732,590	\$ 1,783,798	\$ 1,594,792
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.83%	207.72%	222.56%	244.60%	269.08%
Plan fiduciary net position as percentage of total pension liability	81.36%	72.42%	69.20%	69.34%	71.42%

NOTES TO SCHEDULE

Change in Benefit Terms – None

Changes in Assumptions – In December 2017, the CalPERS Board of Administration adopted new mortality assumptions for plans practicing in Public Employees' Retirement Fund (PERF), the inflation assumption was reduced from 2.75 percent to 2.50 percent, and the assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.50 percent.

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FOWLER
SCHEDULE OF THE CITY'S CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially required contribution (actuarially determined)	\$ 408,694	\$ 424,070	\$ 453,902	\$ 454,404	\$ 511,142
Contributions in relation to the actuarially determined contributions	<u>408,694</u>	<u>424,070</u>	<u>453,902</u>	<u>454,404</u>	<u>511,142</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,558,059	\$ 1,028,213	\$ 1,783,798	\$ 1,594,792	\$ 1,691,707
Contributions as a percentage of covered- payroll	26.23%	24.74%	25.45%	28.49%	30.21%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Other Independent Auditor's Reports

Independent Auditor's 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*

The Honorable Members of the City Council
Fowler, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fowler's, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Fowler's basic financial statements, and have issued our report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Fowler's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 to be significant deficiency.

Compliance and Other Matters

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

City of Fowler's Response to Findings

City of Fowler's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Fowler's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Fresno, California
November 29, 2021

Findings and Recommendations Section

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results

(1) Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified not considered
to be material weakness(es)

 X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

(2) Federal Awards

Not Applicable

Internal control over major programs:

Material weakness(es) identified?

Not Applicable

Significant deficiency(ies) identified not considered
to be material weakness(es)

Not Applicable

Type of auditors' report issued on compliance for
major programs:

Not Applicable

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)

Not Applicable

Identification of major programs:

Not Applicable

Dollar threshold used to distinguish between
Type A and Type B programs

Not Applicable

Auditee qualified as low-risk auditee?

Not Applicable

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding Identification

2019 - 001 *Internal Controls – Water Consumer Deposits*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require internal controls which generate relevant and quality data to support the City's financial information reporting.

Per City Ordinance, "A guarantee deposit with the Water Department made by a consumer who owns the property receiving services and whose account has not been in arrears at any time during the first year of such deposit shall be returned after the expiration of said year. If the service is discontinued in less than one year, the deposit will be returned provided all outstanding bills against the consumer for water services have been paid. Any deposit uncalled for or returned within five (5) year after the date the deposit was made will become the property of, and be retained by, the Water Department. Deposits of renters will be retained until water services are discontinued."

Condition

During our audit of the water consumer deposits collected by the City from residential and commercial consumers we noted that while the City hired a CPA consultant firm to review the balance and record adjustments as considered necessary according to the City's Ordinance, this exercise was done in arrears during the FY 2020-21 rather than on a routine basis during FY 2018-19.

Effect

The City likely did not have timely and accurate financial information on hand related to the water consumer deposits balance for residential and commercial customers during FY 2018-19, this can cause the decision-making process of the City to be faulty.

Cause

The City management was not available to implement City Ordinance on water consumer deposits and a proper review and reconciliation exercise of the balance on a routine basis.

Questioned Costs

Not able to determine.

Recommendation

We recommend City staff administer water deposits accordingly to City ordinance, management ensure the balance is routinely reviewed for accuracy and a proper audit trail is maintained on file as evidence to support the balance on the books.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding Identification

2019 - 002 *Internal Controls – Water Consumer Overpayments and Accounts Receivable*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require internal controls which generate relevant and quality data to support the City's financial information reporting.

Condition

During our audit of the payments received by the City for water service from residential and commercial consumers we noted that while the City hired a CPA consultant firm to review the water overpayments liability balance and the accounts receivable balance and record adjustments as considered necessary, this exercise was done in arrears during the FY 2020-21 rather than on a routine basis during FY 2018-19. The consultant firm also found it was not possible to acquire a proper listing of the balances by consumer as the cutoff timeline for generating reports from the financial information system was missed.

Effect

The City likely did not have timely financial information on hand related to the water overpayments and accounts receivable balances for residential and commercial consumers during FY 2018-19; this can cause the decision-making process of the City to be faulty.

Cause

The City management was not available to implement a proper review and reconciliation exercise of the balances on a routine basis.

Questioned Costs

Not able to determine

Recommendation

We recommend City management ensure that balances are routinely reviewed for accuracy and that a proper audit trail is maintained on file as evidence to support the balance on the books.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding Identification

2019 - 003 *Internal Controls – Closing Books*

Criteria or Specific Requirement

Accounting principles generally accepted in the United State of America require adequate internal controls to ensure accounting transactions are properly recorded on the books.

Condition

While conducting our audit, we noted the City did not close its books on a timely basis. We also noted a high volume of transaction recorded through the adjusting journal entries process rather than the usual recording processes. Soon after the resignation of the finance director working for the City during FY 2018/19, the City hired a CPA consultant firm to assist with the close of the books. The CPA consultant firm prepared almost 100 adjusting entries and commented on a general lack of internal controls and procedures in the financial transaction recording process at the City. In addition, we prepared several audit adjustments related to proper cutoff balances for accounts receivable, revenues, accounts payable and expenditures.

Effect

When a proper and timely closing process is not performed, City staff and constituents may be relying on faulty and incomplete financial data in making real time decisions or external reporting. This can lead to a potential material errors in financial presentation at the city, and cause delays in proper cutoff at year end and a delay the City's annual audit report issued.

Cause

While City management seemed to have made efforts during FY 2018-19 to implement better internal control processes to safeguard the City's assets and properly record financial transactions at the City with retaining better audit trails; the process of implementation seemed inconsistent, at times incomplete and with accounting errors.

Questioned Costs

None

Recommendation

We recommend the City management continue to work on improving the closing process and internal control processes in accounting of City's financial transactions.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding Identification

2019 - 004 *Internal Controls – Cash*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require internal controls to safeguard and preserve assets, protect against improper fund disbursement, and to ensure transactions are properly recorded.

Condition

While auditing the City's cash balances, we noted bank reconciliations were prepared by the CPA firm consultant hired by the City during FY 2020-21 rather than on a periodic basis during FY 2018-19. We also noted the CPA Firm consultant made large adjustments to the books due to financial transactions observed on the bank statements but not recorded on the books, transactions recorded with errors or duplications on the books, and transactions recorded with timing lags on the books.

Effect

The City operated during the FY 2018-19 with cash balances which were inaccurate and if relied on could have caused the decision-making process at the City to be relying on inaccurate financial balances. The lack of periodic review and reconciliations of cash balances is likely to increase the opportunities for misappropriations and or misuse of City's cash.

Cause

The City management was not available or lacked the technical proficiency to implement proper review and reconciliation of the cash balances on a routine basis.

Questioned Costs

None

Recommendation

We recommend the City management ensure to implement an appropriate process for the review and reconciliation of cash balances on a periodic basis with internal controls to ensure the safeguard of the asset.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Audit Findings and Questioned Costs

Finding Identification

2019 - 005 Internal Controls - Expenditures and Credit Cards

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require internal controls to safeguard and preserve assets, protect against improper fund disbursement, and to ensure transactions are properly recorded.

Condition

During our audit of a sample of cash disbursements including disbursements through credit cards issued by the City to staff we noted the following items of concern:

1. One cash disbursement for engineering services was missing expense authorization.
2. While the City's procedure is for the finance director to review a list of cash disbursements for authorization prior to warrants being issued, we noticed our expenditure selected for the walkthrough of this procedure was not on a list of cash disbursements with authorization sign off by the finance director.
3. The City's policy is to have a credit card use agreement signed by each employee issued a credit card; we noted not every employee issued a credit card had a signed credit card agreement on file for the credit card. The documentation on credit cards being issued with the credit card use agreement was unclear, incomplete or outdated at times and overall a complete and current list of credit card holders and agreements was not on file for proper tracking and accountability.
4. An audit trail of payment authorization on the credit card balance was lacking on some instances; even though a copy of the warrant was kept on file in some cases the warrant was issued prior to approval signatures.
5. We noticed a disbursement in which the City manager was the only individual approving payment on their charges on the credit card and on a separate disbursement, the City manager documented the charge on the credit card through a notation on an envelope rather than the use of the Credit Card Use Form.
6. We noted payment on a credit card balance was paid through automatic withdrawal from the City's bank account without proper internal control procedures for preapproval of disbursement.
7. We noted expenses paid through credit card being posted to the books in an untimely basis.
8. Even though a Credit Card Use Form was implemented by the City's finance department to provide for itemization of expenditures charged on the credit card and review and authorization of the charges by appropriate oversight personnel, we noticed the use of the form was inconsistently implemented.
9. We noted credit card charges which were paid without supporting receipts and documentation of expense on file.

Effect

The above issues are the result of breaks on internal controls over cash disbursements and the use of credit cards. This can result in improper fund disbursement and misuse of credit cards issued by the City.

Cause

The City management seems to have had a difficult time implementing a proper internal control process over cash disbursements of the City.

Questioned Costs

Unknown

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Audit Findings and Questioned Costs

Finding Identification

2019 - 005 Internal Controls - Expenditures and Credit Cards (continued)

Recommendation

We recommend the City implement an appropriate process for the authorization of cash disbursements with proper audit trail documentation on file as well as implement its Credit Card Use Policy properly.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Financial Statement Audit Findings and Questioned Costs

Finding Identification

2019 - 006 Internal Controls – Building Permit and Impact Fees

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require internal controls to safeguard and preserve assets, and to ensure transactions are properly recorded.

Condition

During our audit, we selected a sample of building permits and performed procedures to review supporting documentation for the proper implementation of safeguarding and recording procedures over billing, collection and recording of the receipts. We noted the following weaknesses in internal controls:

We noticed a handful of the building permits in our sample did not have the signed copy of the building permit application on file. We viewed an unsigned copy printed from the City's tracking software during our audit.

For the sample of building permit receipts collected by the City during the year contemporaneous documentation for calculations and itemizations completed by the building official for assessment of fees like grading permit fees, electrical permit fees, mechanical permit fees and plumbing permit fees was not available for audit in considering whether the fees were assessed according to City policy. The building official in the past audit indicated he used a building permit software in calculating the fees for building permits at the time of billing the customer, however, documentation on these calculations was not kept on file. Through verbal recalculations provided by the building official it seemed assessment of fees had been completed based on adopted City policy. In addition, the building official seemed to be the only staff responsible for assessment of fees without a level of review and oversight over his work in this area.

Effect

The lack of proper documentation for fees assessed and the lack of review and oversight over the building officials' duties is a weakness in internal controls which can lead to the City's assessment of fees to be considered questionable and open to conflict with the City's citizen's trust in the appropriateness of the City's procedures and policies when assessing fees.

Cause

The City seems to have struggled with the accountability aspect in the building department as well as the communication and record retention in this department. The finance department expressed implementing efforts to better the process during FY 2018-19 however, it seems the implementation was not addressed as planned. The building official during FY 2018-19 is no longer employed by the City, this may have also led to the lack of signed building permit applications or the misplacement of them.

Questioned Costs

Unknown

Recommendation

We recommend the following: the City retains signed building permit applications on file for accountability and support of building and impact fees assessed on each build permit issued; the City implement an audit trail that includes documentation of calculations and itemizations prepared to arrive at all fees assessed when issuing building permit fees and we recommend a process of review and oversight over the building officials work of fees assessment is implemented to help identify any possible omissions or errors in the assessment of fees and ensure assessment of fees is according to City adopted policies.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with this finding. Please refer to the corrective action section within the Findings and Recommendations section.

CITY OF FOWLER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding Identification

2019 - 001 *Internal Controls – Water Consumer Deposits*

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city is in the process of making the changes to administer water deposits accordingly to City ordinance, and to implement a procedure to review balances on a timely basis for accuracy with all supporting documents to balance the books.

Proposed Completion Date: Fiscal Year 21-22

Finding Identification

2019 - 002 *Internal Controls – Water Consumer Overpayments and Accounts Receivable*

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city is in the process of making the changes to implement a procedure to review balances on a timely basis for accuracy with all supporting documents to balance the books.

Proposed Completion Date: Fiscal Year 21-22

Finding Identification

2019 - 003 *Internal Controls – Closing Books*

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city is in the process of making the changes to implement a procedure manual for the accounting of the City's financial transactions for internal control and closing process.

Proposed Completion Date: Fiscal Year 21-22

Finding Identification

2019 - 004 *Internal Controls – Cash*

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city is in the process of making changes to implement a procedure for the review and reconciliation of cash balances on a periodic basis with internal controls to ensure the safeguard of the asset.

Proposed Completion Date: Fiscal Year 21-22

CITY OF FOWLER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

Finding Identification

2019 - 005 Internal Controls - Expenditures and Credit Cards

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city in the process of making changes to internal control in implementing the appropriate process for the authorization of cash disbursements with proper audit trail documentation on file as well as implement its Credit Card Use Policy properly.

Proposed Completion Date: Fiscal Year 21-22

Finding Identification

2019 - 006 Internal Controls -- Building Permit and Impact Fees

Name of contact person: Margarita Moreno, Finance Director

Corrective Action: The city is in the process of making changes to retain the required documents for auditing purposes and support of building and impact fees assessed on each build permit issued; implement an audit trail that includes documentation of calculations and itemizations prepared, implement a process of review and oversight over the building officials work of fees assessment according to City adopted policies.

Proposed Completion Date: Fiscal Year 21-22

CITY OF FOWLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

1. Finding/Recommendation

We were unable to test the accuracy of water consumer deposits balance of \$98,157 collected by the City from residential and commercial consumers since the City did not review the balance on a routine basis or maintain an audit trail of supporting documentation as evidence of the propriety of the balance on the books.

In response to our comments during the audit and suspecting the balances were misstated, after fiscal year end, City finance prepared a general review of the balances for the purpose of offering an estimate of balances, they suspect they may be expired deposits as of June 30, 2018. As a result of this exercise, allowance for doubtful accounts has been presented on the financial statements with the understanding that city finance staff will prepare a more diligent review of consumer deposit balances for the upcoming audit year.

It was recommended that the City staff administer water deposits accordingly to City ordinance, management ensure the balance is routinely reviewed for accuracy and a proper audit trail is maintained on file as evidence to support the balance on the books.

Current Status

Partially Implemented.

City Explanation if not implemented

Due to personnel changes and delays in performing audits of financial statements the recommendations are still in the process of being implemented, we anticipate resolution by the 2021-2022 fiscal year.

2. Finding/Recommendation

We were unable to test the accuracy of the liability balance of \$32,902 related to water consumer overpayments on account and water consumer accounts receivable balance of \$154,883 since the City does not review the balances on a routine basis to ensure they are accurately record on City's books or maintain an audit trail of supporting documentation as evidence of the balances..

In response to our comments during the audit and suspecting the balances were misstated, after fiscal year end City finance prepared a general review of the balances for the purpose of offering an estimate of balances, they suspected may no longer be valid. As a result of this exercise, and allowance for doubtful accounts has been presented on the financial statements with the understanding that city finance staff will prepare a diligent review water consumer overpayment balances and water consumer accounts receivable balances for the upcoming audit year.

It was recommended that the City management ensure that balances are routinely reviewed for accuracy and that a proper audit trail is maintained on file as evidence to support the balance on the books.

Current Status

Partially Implemented.

City Explanation if not implemented

Due to personnel changes and delays in performing audits of financial statements the recommendations are still in the process of being implemented, we anticipate resolution by the 2021-2022 fiscal year.

CITY OF FOWLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

3. **Finding/Recommendation**

While conducting our audit, we prepared thirty plus audit adjustments related to matters involving the accounting, year-end closing, and reporting in several areas of the audit. The audit adjustments include adjusting for proper cutoff balances for accounts receivable, revenues, accounts payable, expenditures, proper allocation of cash in bank balances for the funds at the City according to their corresponding checkbook, recording activity on PFA books in agreement with trustee statements and adjusting to actual interfund activity between funds of the city.

It was recommended that the City management and staff continue to work on improving the closing process and internal control processes in accounting of City's financial transactions. This will help to ensure both activities align with accounting principles general accepted in the United States of America.

Current Status

Not Implemented.

City Explanation if not implemented

Due to personnel changes and delays in performing audits of financial statements the recommendations are still in the process of being implemented, we anticipate resolution by the 2021-2022 fiscal year.