

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

**BORCHARDT, CORONA, FAETH & ZAKARIAN
Certified Public Accountants
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CITY OF FOWLER
AUDIT REPORT
YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 March 7, 2019, 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.

*Borchardt, Corona, Faeth
& Lykavian*

Fresno, California
March 7, 2019

Introductory Section

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CITY OF FOWLER
Management's Discussion and Analysis (MD&A)
June 30, 2017

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, 2017. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$27,695,611 at June 30, 2017.
- Overall revenues and transfers in totaled \$7,231,063, which exceeded expenses of \$6,735,796 by \$495,267.

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.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. 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 of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the 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 an agency 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 \$27,695,611 at June 30, 2017. See Table 1.

Table 1
Net Position

	Governmental Activities 2017	Business- Type Activities 2017	Governmental Activities 2016	Business- Type Activities 2016	Total Percentage Change 2017-2016
ASSETS					
Cash	\$ 5,990,153	\$ 926,784	\$ 4,934,015	\$ 1,253,522	11.79%
Cash with Fiscal Agent	476,201	-	468,665	-	1.61%
Accounts Receivable					
General Government and Consumer	625,132	154,827	487,923	103,957	31.78%
Intergovernmental	-	-	109,426	72,321	N/A
Assessments Receivable	949,123	-	1,046,560	-	(9.31%)
Community Loans	673,276	-	506,592	-	32.90%
Inventory	-	58,442	-	58,442	N/A
Land Held for Resale	153,794	-	153,794	-	0.00%
Deposits with Others	6,369	-	7,771	-	(18.04%)
Capital Assets, Net of Accumulated Depreciation	20,691,601	4,438,453	20,816,957	4,708,316	(1.55%)
TOTAL ASSETS	29,565,649	5,578,506	28,531,703	6,196,558	1.20%
Deferred Outflows of Resources - Pensions	1,079,764	265,265	407,284	54,097	<100%
LIABILITIES					
Accounts Payable	176,323	58,841	111,144	31,161	65.25%
Accrued Liabilities	24,568	-	41,203	-	(40.37%)
Unearned Revenue	341,974	-	-	-	N/A
Accrued Interest Payable	-	-	41,882	-	N/A
Consumer Deposits	-	94,287	-	96,217	(2.01%)
Compensated Absences	85,410	26,669	102,116	20,084	(8.28%)
Due to Other Agencies	215,979	-	-	-	N/A
Net Pension Liability	3,083,914	517,526	2,636,450	350,185	20.59%
Long-Term Debt	2,185,017	1,801,288	2,983,499	1,695,997	(14.81%)
TOTAL LIABILITIES	6,113,185	2,498,611	5,916,294	2,193,644	6.19%
Deferred Inflows of Resources - Pensions	185,939	(4,162)	305,611	40,593	(47.49%)
NET POSITION					
Net Investment in Capital Assets	18,506,584	2,637,165	17,906,957	3,012,319	1.07%
Restricted for:					
Debt Service	677,368	-	630,763	-	7.39%
Capital Projects	1,688,983	-	1,383,875	-	22.05%
Unrestricted	3,473,354	712,157	2,795,487	1,004,099	10.16%
TOTAL NET POSITION	\$ 24,346,289	\$ 3,349,322	\$ 22,717,082	\$ 4,016,418	3.60%

Changes in Net Position

The City's total revenues, including business-type activities, were \$7,231,063. Most of the revenue comes from various taxes, \$3,814,213 (52.75%). Operating Grants accounted for \$1,369,517, (18.94%) and combined charges for services totaled \$1,627,612 (22.51%) of total revenues.

The total cost of all programs and services, including business-type activities, was \$6,735,796. The City's expenses are predominately related to General Government and Public Safety (44.86%). Water Services accounted for 22.52% of total costs. The remaining expenses accounted for community and debt service costs.

Table 2
Changes in Net Position

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2017	2017	2016	2016	2017-2016
REVENUES					
Program Revenues:					
Charges for Services	\$ 464,739	\$ 1,162,873	\$ 384,388	\$ 1,031,602	14.95%
Operating Grants	1,369,517	-	722,422	-	89.57%
General Revenues:					
Taxes	3,814,213	-	4,510,595	-	(15.44%)
Rental Income	211,637	-	421,936	-	(49.84%)
Investment Income	20,441	2,876	8,464	-	175.48%
Miscellaneous	66,847	-	81,599	-	(18.08%)
Transfers, Net	163,696	(45,776)	447,349	(39,878)	(71.06%)
TOTAL REVENUES	6,111,090	1,119,973	6,576,753	991,724	(4.46%)
PROGRAM EXPENSES					
General Government	1,416,494		1,443,277	-	(1.86%)
Public Safety	1,605,179		1,591,493	-	0.86%
Public Works	1,344,146		800,520	-	67.91%
Community Development	389,411		453,967	-	(14.22%)
Culture and Recreation	386,111		396,211	-	(2.55%)
Interest on Long-Term Debt	77,370		343,399	-	(77.47%)
Water Services	-	1,517,085	-	1,206,607	25.73%
TOTAL EXPENSES	5,218,711	1,517,085	5,028,867	1,206,607	8.02%
INCREASE (DECREASE) IN NET POSITION	\$ 892,379	\$ (397,112)	\$ 1,547,886	\$ (214,883)	(62.85%)

Governmental Activities

The cost of all governmental activities this year was \$5,218,711.

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

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General Government	\$ 1,416,495	\$ 1,443,277	\$ 1,262,547	\$ 1,441,064
Public Safety	1,605,179	1,591,493	1,454,367	1,461,277
Public Works	1,344,145	800,520	172,469	284,720
Community Development	389,411	453,967	49,009	26,542
Culture and Recreation	386,111	396,211	368,693	365,055
Interest on Long-Term Debt	77,370	343,399	77,370	343,399
	\$ 5,218,711	\$ 5,028,867	\$ 3,384,455	\$ 3,922,057

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 \$6,612,294, which reflects an increase from last year's ending fund balance of \$5,739,956 by \$872,340.

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 final amendment to the budget was approved July 26, 2016. 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, 2017, the City had a net investment of \$25,130,054 in capital assets, comprised as shown in Table 4. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2017	2017	2016	2016	2017-2016
Land	\$ 1,043,531	\$ 191,046	\$ 1,189,198	\$ 191,046	(10.55%)
Right of Ways	7,447,189	-	-	-	N/A
Buildings and Improvements, Net	1,890,232	8,696	440,541	9,183	<100%
Machinery and Equipment, Net	230,119	290,555	(739,204)	52,069	(<100%)
Infrastructures, Net	10,002,662	3,948,156	18,069,677	4,194,774	(37.34%)
Construction in Progress	77,868	-	1,856,745	261,244	(96.32%)
NET CAPITAL POSITION	\$ 20,691,601	\$ 4,438,453	\$ 20,816,957	\$ 4,708,316	(1.55%)

Long-Term Debt

At year-end, the City had \$7,699,824 in combined debt, as shown in Table 5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2017	2017	2016	2016	2017-2016
Net Pension Liability	\$ 3,083,914	\$ 517,526	\$ 2,636,450	\$ 350,185	20.59%
Revenue Bonds	2,008,000	150,000	2,910,000	-	(25.84%)
Certificates of Participation	-	1,633,700	-	1,665,100	(1.89%)
Note Payable	108,000	17,588	-	30,897	<100%
Energy Efficiency Retrofit Loan	69,017	-	83,396	-	(17.24%)
TOTAL LONG-TERM DEBT	\$ 5,268,931	\$ 2,318,814	\$ 5,629,846	\$ 2,046,182	(1.15%)

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 2017 included a 2% cost of living increase for salary steps.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

- 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 2018, the City voters approved a 1% District Sales Tax to help off set the increased costs.

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:

Randy Uyeda
Finance Director
City of Fowler
128 South Fifth Street
Fowler, CA 93625

Financial Section

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CITY OF FOWLER
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 5,990,153	\$ 926,784	\$ 6,916,937
Investments Held by fiscal agent:			
Restricted	476,201	--	476,201
Receivables:			
General Government and Consumer	625,132	154,827	779,959
Assessments	949,123	--	949,123
Community Loans	673,276	--	673,276
Inventory	--	58,442	58,442
Land held for resale	153,794	--	153,794
Deposits with others	6,369	--	6,369
Capital assets			
Land	1,043,531	191,046	1,234,577
Right of Ways	7,447,189	--	7,447,189
Buildings and Improvements, Net	1,890,232	8,696	1,898,928
Machinery and Equipment, Net	230,119	290,555	520,674
Infrastructures, Net	10,002,662	3,948,156	13,950,818
Construction in Progress	77,868	--	77,868
Total Assets	<u>29,565,649</u>	<u>5,578,506</u>	<u>35,144,155</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	<u>1,079,764</u>	<u>265,265</u>	<u>1,345,029</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	176,323	58,841	235,164
Accrued liabilities	24,568	--	24,568
Unearned Revenue	341,974	--	341,974
Compensated Absences	85,410	26,669	112,079
Consumer Deposits	--	94,287	94,287
Due to Other Agencies	215,979	--	215,979
Noncurrent Liabilities:			
Net Pension Liability	3,083,914	517,526	3,601,440
Due within one year	283,254	71,890	355,144
Due in more than one year	1,901,763	1,729,398	3,631,161
Total Liabilities	<u>6,113,185</u>	<u>2,498,611</u>	<u>8,611,796</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pensions	<u>185,939</u>	<u>(4,162)</u>	<u>181,777</u>
NET POSITION:			
Net Investment in Capital Assets	18,506,584	2,637,165	21,143,749
Restricted For:			
Debt Service	677,368	--	677,368
Capital Projects	1,688,983	--	1,688,983
Unrestricted	3,473,354	712,157	4,185,511
Total Net Position	<u>\$ 24,346,289</u>	<u>\$ 3,349,322</u>	<u>\$ 27,695,611</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General Government	\$ 1,416,494	\$ 31	\$ 153,916
Public Safety	1,605,179	6,753	144,059
Public Works	1,344,146	111,175	1,060,502
Community Development	389,411	329,362	11,040
Culture and Recreation	386,111	17,418	--
Interest on Long-term Debt	77,370	--	--
Total Governmental Activities	<u>5,218,711</u>	<u>464,739</u>	<u>1,369,517</u>
Business-type Activities:			
Water	<u>1,517,085</u>	<u>1,162,873</u>	<u>--</u>
Total Business-type Activities	<u>1,517,085</u>	<u>1,162,873</u>	<u>--</u>
Total Primary Government	<u>\$ 6,735,796</u>	<u>\$ 1,627,612</u>	<u>\$ 1,369,517</u>

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>
\$ (1,262,547)		\$ (1,262,547)
(1,454,367)		(1,454,367)
(172,469)		(172,469)
(49,009)		(49,009)
(368,693)		(368,693)
(77,370)		(77,370)
<u>(3,384,455)</u>		<u>(3,384,455)</u>
--	\$ (354,212)	(354,212)
--	(354,212)	(354,212)
<u>(3,384,455)</u>	<u>(354,212)</u>	<u>(3,738,667)</u>
722,009	--	722,009
1,339,316	--	1,339,316
309,549	--	309,549
431,771	--	431,771
472,983	--	472,983
538,585	--	538,585
211,637	--	211,637
20,441	2,876	23,317
66,847	--	66,847
163,696	(45,776)	117,920
<u>4,276,834</u>	<u>(42,900)</u>	<u>4,233,934</u>
892,379	(397,112)	495,267
22,717,082	4,016,421	26,733,503
736,828	(269,987)	466,841
<u>\$ 24,346,289</u>	<u>\$ 3,349,322</u>	<u>\$ 27,695,611</u>

CITY OF FOWLER
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Utility Users Tax Fund</u>
ASSETS AND OTHER DEBITS		
Assets:		
Cash and Cash Equivalents	\$ 2,126,250	\$ 867,370
Cash with Fiscal Agent	--	--
Receivables (net of allowances for uncollectibles):	512,393	43,400
Loans Receivable	--	--
Due from Other Funds	8,446	89,821
Deposits with Others	--	--
Property held for Sale	--	--
Total Assets and Other Debits	<u>\$ 2,647,089</u>	<u>\$ 1,000,591</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 138,458	\$ --
Accrued Liabilities	24,568	--
Unearned Revenue	133,239	--
Due to Other Funds	--	--
Due to Other Agencies	215,979	--
Compensated Absences	85,410	--
Total Liabilities	<u>597,654</u>	<u>--</u>
Fund Balances:		
Restricted for:		
Special Purposes	--	1,000,591
Committed for:		
Assigned for:		
Special Purpose	--	--
Debt Service	--	--
Unassigned	2,049,435	--
Total Fund Balance	<u>2,049,435</u>	<u>1,000,591</u>
Total Liabilities and Fund Balance	<u>\$ 2,647,089</u>	<u>\$ 1,000,591</u>

The accompanying notes are an integral part of this statement.

<u>Low and Moderate Income Housing Fund</u>	<u>Fowler Public Financing Authority Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ 2,996,533	\$ 5,990,153
--	476,201	--	476,201
--	--	69,339	625,132
208,735	--	--	208,735
--	--	3,348	101,615
--	--	6,369	6,369
--	--	153,794	153,794
<u>\$ 208,735</u>	<u>\$ 476,201</u>	<u>\$ 3,229,383</u>	<u>\$ 7,561,999</u>
\$ --	\$ --	\$ 41,701	\$ 180,159
--	--	--	24,568
208,735	--	--	341,974
--	--	101,615	101,615
--	--	--	215,979
--	--	--	85,410
<u>208,735</u>	<u>--</u>	<u>143,316</u>	<u>949,705</u>
--	--	2,999,247	3,999,838
--	--	86,820	86,820
--	476,201	--	476,201
--	--	--	2,049,435
<u>--</u>	<u>476,201</u>	<u>3,086,067</u>	<u>6,612,294</u>
<u>\$ 208,735</u>	<u>\$ 476,201</u>	<u>\$ 3,229,383</u>	<u>\$ 7,561,999</u>

CITY OF FOWLER

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

Total fund balances - governmental funds balance sheet	\$ 6,612,294
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.	20,691,601
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,008,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	3,836
Payables for notes which are not due in the current period are not reported in the funds.	(177,017)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	464,541
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	949,123
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(3,083,914)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(185,939)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,079,764
Net position of governmental activities - Statement of Net Position	\$ <u>24,346,289</u>

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, 2017

	General Fund	Utility Users Tax Fund
Revenue:		
Taxes	\$ 2,007,227	\$ 431,771
License and Permits	885,604	--
Fines and Penalties	6,250	--
Revenue from Use of Money and Property	8,091	--
Charges for Service	357,760	--
Intergovernmental Revenue	851,754	--
Miscellaneous	70,927	--
Total revenues	<u>4,187,613</u>	<u>431,771</u>
Expenditures:		
Current:		
General Government	926,926	--
Public Safety	1,664,345	11,667
Public Works	732,189	--
Community Development	379,818	--
Culture and Recreation	215,806	34,833
Capital Outlay	144,205	204,570
Debt Service		
Principal	--	54,000
Interest and Fiscal Charges	--	--
Total Expenditures	<u>4,063,289</u>	<u>305,070</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>124,324</u>	<u>126,701</u>
Other Financing Sources (Uses):		
Operating Transfers In	251,364	88,870
Operating Transfers Out	(31,704)	(155,810)
Other Financing Sources	--	162,000
Total Other Financing Sources (Uses)	<u>219,660</u>	<u>95,060</u>
Net Change in Fund Balances	343,984	221,761
Fund Balances - Beginning	1,705,451	778,830
Fund Balances - Ending	<u>\$ 2,049,435</u>	<u>\$ 1,000,591</u>

The accompanying notes are an integral part of this statement.

Low and Moderate Income Housing Fund	Fowler Public Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 216,158	\$ 2,655,156
--	--	--	885,604
--	--	--	6,250
--	314,742	25,952	348,785
--	--	86,820	444,580
--	--	823,826	1,675,580
--	--	--	70,927
--	314,742	1,152,756	6,086,882
--	--	295,095	1,222,021
--	--	--	1,676,012
--	--	397,720	1,129,909
--	--	19,628	399,446
--	--	137,851	388,490
--	--	--	348,775
--	226,000	14,379	294,379
--	81,206	--	81,206
--	307,206	864,673	5,540,238
--	7,536	288,083	546,644
--	--	180,428	520,662
--	--	(169,452)	(356,966)
--	--	--	162,000
--	--	10,976	325,696
--	7,536	299,059	872,340
--	468,665	2,787,008	5,739,954
\$ --	\$ 476,201	\$ 3,086,067	\$ 6,612,294

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, 2017

Net change in fund balances - total governmental funds	\$ 872,340
--	------------

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

Capital outlays are not reported as expenses in the SOA.	186,776
The depreciation of capital assets used in governmental activities is not reported in the funds.	(372,960)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(204,051)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(135,192)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	226,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	68,379
(Increase) decrease in accrued interest from beginning of period to end of period.	3,836
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(97,437)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as DRO.	327,827
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	16,861

Change in net position of governmental activities - Statement of Activities	\$ <u>892,379</u>
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The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2017

	<u>Water Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 926,784
Consumer Receivables	154,827
Inventories	58,442
Total Current Assets	<u>1,140,053</u>
Noncurrent Assets:	
Fixed Assets:	
Land	191,046
Buildings and Improvements, Net	8,696
Machinery and Equipment, Net	290,555
Infrastructures, Net	3,948,156
Total Noncurrent Assets	<u>4,438,453</u>
Total Assets	<u>5,578,506</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension	<u>265,265</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	58,841
Customer Deposits	94,287
Compensated Absences	26,669
Total Current Liabilities	<u>179,797</u>
Noncurrent Liabilities:	
Due in one year	71,890
Due in more than one year	1,729,398
Net Pension Liability	517,526
Total Noncurrent Liabilities	<u>2,318,814</u>
Total Liabilities	<u>2,498,611</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension	<u>(4,162)</u>
NET POSITION:	
Investment in Capital Assets, Net of Related Debt	4,438,453
Unrestricted (Deficit)	(1,089,131)
Total Net Position	<u>\$ 3,349,322</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, 2017

OPERATING REVENUES:

Charges for services	\$ 1,162,873
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OPERATING EXPENSES:

Personnel costs	650,986
Materials and Supplies	37,974
Contract Services	120,019
Legal Fees	25,516
Utilities	163,238
Insurance	97,371
Repairs and Maintenance	142,212
Rent and leases	2,353
Depreciation	184,877
Other	9,459
Total Operating Expenses	<u>1,434,005</u>

Operating Income	<u>(271,132)</u>
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NON-OPERATING REVENUES (EXPENSES):

Interest Revenue	2,876
Interest Expense	<u>(83,080)</u>
Total Non-operating Revenues (Expenses)	<u>(80,204)</u>
Income before Transfers	<u>(351,336)</u>

Interfund Operating Transfers Out	(45,776)
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Change in Net Position	<u>(397,112)</u>
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Total Net Position - Beginning	<u>4,016,421</u>
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Prior Period Adjustment	(269,987)
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Total Net Position - Ending	<u>\$ 3,349,322</u>
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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, 2017

	Water Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,087,117
Cash Payments to Suppliers for Goods and Services	(475,476)
Cash payments to employees for services	(732,690)
Net Cash Provided (Used) by Operating Activities	<u>(121,049)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	(45,776)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(45,776)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(152,789)
Acquisition or Construction of Capital Assets	(10,000)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(162,789)</u>
Cash Flows from Investing Activities:	
Interest Income	2,876
Net Cash Provided (Used) for Investing Activities	<u>2,876</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(326,738)
Cash and Cash Equivalents at Beginning of Year	1,253,522
Cash and Cash Equivalents at End of Year	<u>\$ 926,784</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (271,132)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	184,879
Change in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivables	(50,870)
Decrease (Increase) in Inventory	--
Decrease (Increase) in due from other agencies	66,662
Decrease (Increase) in due from other funds	5,659
Increase (Decrease) in NPL & related DRO & DRI	(88,582)
Increase (Decrease) in Accounts Payable	27,680
Increase (Decrease) in Customer Deposits	(1,930)
Increase (Decrease) in Compensated Absences	6,585
Total Adjustments	<u>150,083</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (121,049)</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2017**

	Redevelopment Sucessor Agency Private Purpose Trust Fund
ASSETS:	
Cash and Cash Equivalents	\$ 93,640
Due from Other Agencies	215,979
Total Assets	<u>309,619</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension	<u>59,795</u>
LIABILITIES:	
Current Liabilities	
Unearned Revenue	93,875
Noncurrent Liabilities	
Due in one year	48,000
Due in more than one year	409,000
Net Pension Liability	254,566
Total Noncurrent Liabilities	<u>711,566</u>
Total Liabilities	<u>805,441</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension	<u>27,691</u>
NET POSITION	
Restricted	(463,718)
TOTAL NET POSITION	<u><u>\$ (463,718)</u></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, 2017**

	Redevelopment Sucessor Agency Private Purpose Trust Fund
Additions:	
Tax Revenue	\$ 353,929
Interest Revenue	148
Total Additions	<u>354,077</u>
Deductions:	
Personnel Costs	23,617
Professional Services	5,000
Debt Service - Interest	47,900
Total Deductions	<u>76,517</u>
Change in Net Position	277,560
Net Position-Beginning of the Year	(240,278)
Prior Period Adjustment	(501,000)
Net Position-End of the Year	<u>\$ (463,718)</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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*.

B. 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, 2017

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

C. Basis of Presentation, Basis of Accounting

1. 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, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68

The City does not provide pensions that are not within the scope of GASB Statement No. 68. As a result, the adoption of GASB Statement No. 73 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The City does not administer their other postemployment benefits plan through a trust that meets the necessary criteria. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 – Tax Abatement Disclosures

The City has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 78 – Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

The City does not provide pensions through multiple-employer defined benefit pension plans that meet the necessary criteria. As a result, the adoption of GASB Statement No. 78 did not result in a change to the financial statements or note disclosures.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

GASB Statement No. 80 – Blending Requirements for Certain Component Units

The City did not have any component units which met the necessary criteria. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 – Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

2. 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. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. 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. 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:

General Fund. This 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The Utility Users Fund is used to account separately for local revenues used to assist with funding of essential municipal services.

The Low and Moderate Income Housing Fund is used to account separately for housing assets.

Fowler Public Financing Authority (PFA) Debt Service Fund. This 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 Gas Tax Fund is used to account separately for state revenues used for street and road purposes.
- The Traffic Congestion Fund is used to account separately for state revenues used for street and highway safety improvements.
- 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 Community Development Block Grant Fund is used to account separately for state revenues 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:

- 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.
- Assessment City No. 93-1 Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.
- Hospital Improvement Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.
- Merced Street Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.
- Public Improvement Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.
- Assessment City No. 94-1 Fund is used to account for the accumulation of resources for, and the repayment of, City bonds, interest and related costs.

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:

- 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

- 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.
- General Services Fund is used to account for developer fees provided for equipment, construction and maintenance of general City assets.
- Law Enforcement Fund is used to account for developer fees provided for the purchase of vehicles and equipment.
- Fire Department Fund is used to account for developer fees provided for the purchase of vehicles and equipment.
- Parks Fund is used to account for developer fees provided for equipment, construction and maintenance of park facilities.
- Water Fund is used to account for developer fees provided for equipment, construction and maintenance of public works facilities.
- Sewer Fund is used to account for developer fees provided for infrastructure construction and improvement.
- Storm Drain Fund is used to account for developer fees provided for construction and maintenance of City infrastructure.
- Fire Construction Fund is used to account for construction costs for new fire station.
- 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.

D. 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
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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.

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.

Deficit Fund Balance or Fund Net Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Fire Construction Fund	\$ (101,615)	The deficit fund balance is due to design costs incurred for the new fire station. Deficit will be corrected as state and federal financing is acquired.
Redevelopment Successor Agency Private Purpose Trust	(463,718)	Deficit fund balance will be reduced with the future receipt of tax increment revenues.

E. Budgets and Budgetary Accounting

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

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

F. Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (L.A.I.F.). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools. Information regarding the amount of dollars invested in derivatives, if any, with L.A.I.F. was not available.

G. 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.

H. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

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

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

I. 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 loans receivable with an offset to a deferred revenue account.

J. Inventory

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

K. 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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 2016-17 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.

L. 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.

Accumulated unpaid vacation pay is accrued for the Proprietary Funds when incurred. At June 30, 2017, the amount of accrued vacation pay was \$26,669 for the Enterprise Funds.

M. 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.

N. 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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.

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.

O. 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 CalPERS public agency cost-sharing multiple-employer defined benefit pension plan (PERF C or the Plan) and additions to/deductions from the CalPERS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS' Financial Office. PERF C consists of a miscellaneous pool and safety pool, which are comprised of individual employer miscellaneous and safety rate plans, respectively. 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

P. 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.

Q. 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.

(2) Cash and Investments

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 cash equivalents. The carrying amount of the City's cash deposits was \$6,916,937 at June 30, 2017. The general bank balance at June 30, 2017 was \$6,326,916 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 \$758,103 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, 2017

(c) Authorized Investments

The balance of \$476,201 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 loans

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, 2017, the City did not utilize investment types different from those categorized below. A summary of investment securities by category as of June 30, 2017 is as follows:

	<u>Fair Value</u>
Money Market Cash With Fiscal Agent	<u>\$476,201</u>

The fair value of investments held in the City Treasury grouped by maturity at June 30 2017, is as shown below:

<u>Maturity</u>	
Current to one year	<u>\$476,201</u>

(d) Excess Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Public Works	\$145,589
Community Development	\$209,581
Capital Outlay	\$123,602
Utility Users Fund:	
Capital Outlay	\$204,570
Debt Service - Principal	\$54,000

The City incurred unanticipated expenditures during the year, some as a result of additional grant funding for streets projects. The Utility Users Fund is also displaying a break out of the loan payment to Fowler Unified School District for a prior land purchase.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(e) Cash and Investments

The summary of pooled cash and investments at June 30, 2017 is as follows:

Statement of Net Assets:	
Governmental Activities:	
Cash on hand	\$ 700
Primary government deposits	6,158,134
Local agency investment fund	758,103
Cash with a fiscal agent/trustee	476,201
Fiduciary Funds:	
Deposits with financial institutions	93,640
	<u>\$ 7,486,778</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash and Cash equivalents	\$ 7,010,577
Cash with a fiscal agent/trustee	476,201
	<u>\$ 7,486,778</u>

(f) 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.

(g) 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.

(h) 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.

(i) 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(j) 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.

(k) Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's only investments, which are allocated at fair value, are in a State of California Local Agency Investment Fund (LAIF). LAIF invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.

(3) Interfund Balances and Activities

(a) Due to and Due From other Funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal years. Balances due to and due from other funds at June 30, 2017 consisted of the following:

<u>Due to Other Fund</u>	<u>Due From Other Fund</u>	<u>Amount</u>	<u>Purpose</u>
Fire Construction Fund	General Fund	\$ 8,446	Cash flows for Fire Station design costs.
Fire Construction Fund	Utility Users Tax Fund	89,821	Cash flows for Fire Station design costs.
Fire Construction Fund	Fire Department Fund	3,348	Cash flows for Fire Station design costs.
		<u>\$101,615</u>	

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(4) 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, 2016	Prior Period Adjustment	Beginning Balance Restated* July 1, 2016	Increases	Decreases	Ending Balances
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 1,189,198	\$ (145,667)	\$ 1,043,531	\$ -	\$ -	\$ 1,043,531
Right of ways	-	7,447,189	7,447,189	-	-	7,447,189
Construction in progress	1,856,745	(814,984)	1,041,761		963,893	77,868
Total capital assets not being depreciated	3,045,943	6,486,538	9,532,481	-	963,893	8,568,588
Capital assets being depreciated:						
Buildings and improvements	1,821,790	(62,721)	1,759,069	1,099,259	-	2,858,328
Machinery and equipment	2,512,908	(487,907)	2,025,001	51,410	-	2,076,411
Infrastructures	23,346,037	(7,949,930)	15,396,107	-	-	15,396,107
Total capital assets being depreciated	27,680,735	(8,500,558)	19,180,177	1,150,669	-	20,330,846
Less accumulated depreciation for:						
Buildings and improvements	1,381,249	(499,000)	882,249	85,847	-	968,096
Machinery and equipment	3,252,112	(1,486,035)	1,766,077	80,215	-	1,846,292
Infrastructures	5,276,360	(89,813)	5,186,547	206,898	-	5,393,445
Total accumulated depreciation	9,909,721	(2,074,848)	7,834,873	372,960	-	8,207,833
Total capital assets being depreciated, net	17,771,014	(6,425,710)	11,345,304	777,709	-	12,123,013
Governmental activities capital assets, net	20,816,957	60,828	20,877,785	777,709	963,893	20,691,601
Business-type activities:						
Capital assets not being depreciated:						
Land	191,046	-	191,046	-	-	191,046
Construction in progress	261,244	-	261,244		261,244	-
Total capital assets not being depreciated	452,290	-	452,290	-	261,244	191,046
Capital assets being depreciated:						
Buildings and improvements	12,186	-	12,186	-	-	12,186
Machinery and equipment	209,474	-	209,474	271,244	-	480,718
Infrastructures	6,077,395	-	6,077,395	-	-	6,077,395
Total capital assets being depreciated	6,299,055	-	6,299,055	271,244	-	6,570,299
Less accumulated depreciation for:						
Buildings and improvements	3,003	-	3,003	488	-	3,491
Machinery and equipment	157,405	302	157,707	32,455	-	190,162
Infrastructures	1,882,621	94,681	1,977,302	151,935	-	2,129,237
Total accumulated depreciation	2,043,029	94,983	2,138,012	184,878	-	2,322,890
Total capital assets being depreciated, net	4,256,026	-	4,161,043	86,366	-	4,247,409
Business-type activities capital assets, net	4,708,316	94,983	4,613,333	86,366	261,244	4,438,455
Total capital assets	\$ 146,413,859	\$ (34,155)	\$ 25,491,118	\$ 864,075	\$ 1,225,137	\$ 25,130,056

*See prior period adjustment footnote No. 13.

For the year ended June 30, 2017, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 244,487
Public safety	11,249
Public works	101,633
Parks and recreation	15,591
Total	<u>\$ 372,960</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(5) Loan Receivables

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants 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 of \$464,541 is presented on the City's Statement of Net Position financial statement; combined with the loan receivable from the Low and Moderate Income Housing Program held by the City of \$208,735. The total loan receivable on the Statement of Net Position is \$673,276.

2% loan to Dale Brisco, Inc. due in monthly installments of \$673 including principal and interest.	\$ 4,494
2% loan to Dale Brisco, Inc. due in monthly installments of \$644 including principal and interest.	14,608
2% loan to Fratellos, Inc. due in monthly installments of \$1,192 including principal and interest.	9,828 *
2% loan to La Quinta due in monthly installments of \$2,583 including principal and interest.	342,295 *
No interest loan to Nouveau Hair Salon due in monthly installments of \$179	2,043
No interest loan to Little Bit of This & A Little Bit of That due in monthly installments of \$83	2,227 *
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.	84,167 *
Total Loans Receivable	\$ 464,541

* Loans in arrears as of June 30, 2017.

(6) Amount to be Provided by Special Assessments

The City established the following assessment districts in order to fund improvements within the City of Fowler. The property owners within the districts are responsible for the following at June 30, 2017:

Assessment City 1993-1	\$ 129,632
Assessment City 1994-1	819,491
	<u>\$ 949,123</u>

Future commitments to the City follow:

<u>Year Ended June 30</u>	
2018	\$ 179,475
2019	178,998
2020	179,888
2021	175,142
2022	178,786
2023 - 2027	<u>345,203</u>
	1,237,492
Interest	<u>(288,369)</u>
Total	<u>\$ 949,123</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(7) 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, 2017, are as follows:

	Beginning Balance July 1, 2016	Prior Period Adjustment	Beginning Balance Restated* July 1, 2016	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:							
Revenue bonds	\$ 2,910,000	\$ (676,000)	\$ 2,234,000	\$ -	\$ 226,000	\$ 2,008,000	\$ 212,000
Land Purchase Note	-	-	-	162,000	54,000	108,000	54,000
Energy Efficiency Retrofit Loan	83,396	-	83,396	-	14,379	69,017	17,254
	<u>\$ 2,993,396</u>	<u>\$ (676,000)</u>	<u>\$ 2,317,396</u>	<u>162,000</u>	<u>294,379</u>	<u>2,185,017</u>	<u>283,254</u>
Business-type activities:							
State of California:							
Certificates of participation	\$ 1,665,100	\$ -	\$ 1,665,100	-	31,400	1,633,700	32,800
Revenue Bond	-	175,000	175,000	-	25,000	150,000	25,000
Department of Water Resources note	30,897	-	30,897	-	13,309	17,588	14,090
	<u>\$ 1,695,997</u>	<u>\$ 175,000</u>	<u>\$ 1,870,997</u>	<u>-</u>	<u>69,709</u>	<u>1,801,288</u>	<u>71,890</u>
Trust Activities:							
Successor Agency - Revenue Bond	-	501,000	501,000	-	44,000	457,000	48,000
Total	<u>\$ 4,689,393</u>	<u>\$ -</u>	<u>\$ 4,689,393</u>	<u>162,000</u>	<u>\$ 408,088</u>	<u>\$ 4,443,305</u>	<u>\$ 403,144</u>

*See prior period adjustment footnote No. 13.

(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 2023 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, 2017 are as follows:

Date of Issue	Interest Rate%	Maturity Date	Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
2010	2.00-5.10	2023	<u>\$ 4,435,000</u>	<u>\$ 2,910,000</u>	<u>\$ -</u>	<u>\$ 295,000</u>	<u>\$ 2,615,000</u>
Bond Allocated as Follows							Principal
City of Fowler							\$ 2,008,000
Business Type Activities							150,000
Fiduciary Fund							457,000
Total							<u>\$ 2,615,000</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The annual requirements to amortize revenue bonds outstanding as of June 30, 2017, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 285,000	\$ 121,772	\$ 406,772
2019	310,000	108,562	418,562
2020	315,000	94,106	409,106
2021	330,000	78,375	408,375
2022	340,000	61,455	401,455
2023-2027	1,035,000	60,818	1,095,818
Total	\$ 2,615,000	\$ 525,088	\$ 3,140,088

(c) 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, 2017 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 14,090	\$ 875	\$ 14,965
2019	-	875	875
2020	-	874	874
2021	-	874	874
Total	\$ 14,090	* \$ 3,498 *	\$ 17,588

*The sum of these items equals outstanding debt of \$17,588.

(d) 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, 2017, the City has drawn \$1,633,700 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, 2017, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 32,800	\$ 71,474	\$ 104,274
2019	34,300	70,039	104,339
2020	35,800	68,539	104,339
2021	37,300	66,973	104,273
2022	38,900	65,341	104,241
2023-2027	221,800	299,609	521,409
2028-2032	275,000	246,641	521,641
2033-2037	340,400	181,003	521,403
2038-2042	421,800	99,724	521,524
2043-2047	195,600	12,926	208,526
Total	\$ 1,633,700	\$ 1,182,269	\$ 2,815,969

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(e) 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 Ending June 30,	
2018	\$ 17,254
2019	17,254
2020	17,254
2021	17,255
Total	<u>\$ 69,017</u>

(8) Detail of Fund Balance Classifications

Details of assigned Fund Balances are as follows:

	Fowler Public Financing Authority Debt Source Fund	Other Governmental Funds
Assigned for:		
Debt Service	476,201	\$ -
Water Well Maintenance	-	86,820
	<u>\$ 476,201</u>	<u>\$ 86,820</u>

(9) Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are eligible to participate in the City's Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and memberships information that can be found on the CalPERS website.

b. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The Plans' provisions and benefits for the measurement period ending June 30, 2016 are summarized as follows:

	Miscellaneous	
	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 2.70%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	11.675%	6.533%

	Safety - Police	
	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 2.70%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	17.875%	11.99%

c. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2017, the average active employee contribution rate and the employer's contribution rate is disclosed on the schedule above.

The City's contributions to the Miscellaneous and Safety pension plans were \$254,207 and \$199,604, respectively, for a total of \$453,901 for the year ended June 30, 2017, and equals 100% of the required contributions for the year.

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 2,399,488
Safety	1,456,519
Total Net Pension Liability	\$ 3,856,007

The City's net pension liabilities for its proportionate shares of the net pension liability of each plan has been allocated amongst the governmental, enterprise and Redevelopment Successor Agency Private Purpose Trust Fund reporting units on the financial statements.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The City's net pension liability for each 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, 2016, 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, 2015 rolled forward to June 30, 2016 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 plans 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, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2015	0.7516%	0.02850%
Proportion - June 30, 2016	<u>0.6907%</u>	<u>0.02812%</u>
Change - Increase (Decrease)	<u>0.03903%</u>	<u>0.01101%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$119,013, which includes employee contributions under the Classic Miscellaneous and Safety Plans paid by the City. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 453,901	\$ -
Differences between actual and expected experience	-	7,798
Change in assumptions	-	144,442
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	89,659	-
Net difference between projected and actual earnings on plan investments	733,408	-
Change in City's Proportion	<u>127,856</u>	<u>57,227</u>
Total	<u>\$ 1,404,824</u>	<u>\$ 209,467</u>

\$453,901 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, 2017.

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:

<u>Year Ended June 30</u>	
2018	\$ 104,229
2019	106,636
2020	340,223
2021	190,368
Total	<u>\$ 741,456</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

a. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method	Entry Age - Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS membership data for all Funds	Derived using CalPERS membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience study can be found on CalPERS' website.

b. Change of Assumption

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

c. Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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 rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected rate of return by asset class, the rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return (Years 1-10)(1)</u>	<u>Real Return (Years 11+)(2)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	(0.55%)	(1.05%)
	<u>100.00%</u>		

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

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

d. 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 3,378,733	\$ 2,168,710
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 2,399,488	\$ 1,456,519
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 1,590,190	\$ 871,884

e. Pension Plan Fiduciary Net Position

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(10) Joint Ventures (Joint Powers Agreements)

1. 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, 2017 is presented below:

Total Assets	\$ 100,984,219
Total Liabilities	83,009,648
Members' Equity	<u>\$ 17,974,571</u>
Total Revenues for Year	\$ 46,513,252
Total Expenses for Year	43,973,513
Excess of Income Over (Under) Expenses	<u>\$ 2,539,739</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, 2017 the City reported \$20,764 as amount due in the General Fund related to the general liability and workers' compensation programs.

2. Public Agency Coalition Enterprise

The City of Fowler is a member of PACE (Public Agency Coalition Enterprise), a medical purchasing joint powers authority designed to help public agencies respond to the emerging health care environment. PACE provides advantages which lead to better cost control flexibility and employee satisfaction. The relationship between the City and PACE is such that PACE is not a component unit of the City for financial reporting purposes.

(11) Contingent Liabilities

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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

(12). 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.

(13) Prior Period Adjustments

A prior adjustment was made to the Governmental Wide Financial Statements as follows:

	Governmental Activities	Business- Type Activities	Redevelopment Successor Agency Private Purpose Trust Fund
Fixed assets were adjusted for obsolete items and proper classification	60,828	(94,983)	
Long Term Debt was adjusted to properly allocate the 2010 Bond	676,000	(175,000)	(501,000)
	<u>\$ 736,828</u>	<u>\$ (269,983)</u>	<u>\$ (501,000)</u>

(14) Subsequent Events

The City is in the process of building a new fire station. As of January 2017, the City has an approved certificate of participation through the United States Department of Agriculture for proceeds to provide the cash flow for the construction of the fire station. The ground-breaking ceremony took place on January 22, 2019.

The City initiated an investigation which involved the former City Manager misappropriating public funds. As a result of this investigation, the former City Manager resigned his position at the City. On November 15, 2017, the former City Manager was arrested and charged with misappropriation of public funds. In addition, the City's former Public Works Director was terminated on January of 2018. Since, the former Public Works Director has filed a wrongful termination claim against the City as well as a claim alleging violation of the Public Records Act (PRA). Both claims are being handled by the Employment Risk Management Authority (ERMA). The City's potential exposure is its Self-Insured Retention of \$25,000.

The City executed an agreement with Accela Inc. for a new full-service accounting software package at a cost \$45,963 of which \$11,983 has been paid. The software was never installed nor was training performed. The City is currently negotiating an end to the agreement.

Required Supplementary Information

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CITY OF FOWLER

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 2,249,294	\$ 2,249,294	\$ 2,007,227	\$ (242,067)
License and Permits	633,209	633,209	885,604	252,395
Fines and Penalties	4,450	4,450	6,250	1,800
Revenue from Use of Money and Property	6,600	6,600	8,091	1,491
Charges for Service	338,376	338,376	357,760	19,384
Intergovernmental Revenue	138,579	138,579	851,754	713,175
Miscellaneous	85,000	85,000	70,927	(14,073)
Total revenues	<u>3,455,508</u>	<u>3,455,508</u>	<u>4,187,613</u>	<u>732,105</u>
Expenditures:				
Current:				
General Government	969,000	969,000	926,926	42,074
Public Safety	1,733,946	1,733,946	1,664,345	69,601
Public Works	586,600	586,600	732,189	(145,589)
Community Development	170,167	170,167	379,818	(209,651)
Culture and Recreation	351,079	351,079	215,806	135,273
Capital Outlay	--	--	144,205	(144,205)
Debt Service				
Total Expenditures	<u>3,810,792</u>	<u>3,810,792</u>	<u>4,063,289</u>	<u>(252,497)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(355,284)</u>	<u>(355,284)</u>	<u>124,324</u>	<u>479,608</u>
Other Financing Sources (Uses):				
Operating Transfers In	400,026	400,026	251,364	(148,662)
Operating Transfers Out	(41,467)	(41,467)	(31,704)	(9,763)
Total Other Financing Sources (Uses)	<u>358,559</u>	<u>358,559</u>	<u>219,660</u>	<u>138,899</u>
Net Change in Fund Balances	3,275	3,275	343,984	340,709
Fund Balances - Beginning	--	--	1,705,451	1,705,451
Fund Balances - Ending	<u>\$ 3,275</u>	<u>\$ 3,275</u>	<u>\$ 2,049,435</u>	<u>\$ 2,046,160</u>

CITY OF FOWLER
UTILITY USERS TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 380,000	\$ 380,000	\$ 431,771	\$ 51,771
Revenue from Use of Money and Property	500	500	--	(500)
Total revenues	<u>380,500</u>	<u>380,500</u>	<u>431,771</u>	<u>51,271</u>
Expenditures:				
Current:				
Public Safety	119,500	119,500	11,667	107,833
Culture and Recreation	93,000	93,000	34,833	58,167
Capital Outlay	--	--	204,570	(204,570)
Debt Service				
Principal	--	--	54,000	(54,000)
Total Expenditures	<u>212,500</u>	<u>212,500</u>	<u>305,070</u>	<u>(92,570)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>168,000</u>	<u>168,000</u>	<u>126,701</u>	<u>(41,299)</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	--	88,870	88,870
Operating Transfers Out	(155,810)	(155,810)	(155,810)	--
Other Financing Sources	--	--	162,000	(162,000)
Total Other Financing Sources (Uses)	<u>(155,810)</u>	<u>(155,810)</u>	<u>95,060</u>	<u>(250,870)</u>
Net Change in Fund Balances	12,190	12,190	221,761	209,571
Fund Balances - Beginning	--	--	778,830	778,830
Fund Balances - Ending	<u>\$ 12,190</u>	<u>\$ 12,190</u>	<u>\$ 1,000,591</u>	<u>\$ 988,401</u>

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

	Fiscal Year 2015**		Fiscal Year 2016**		Fiscal Year 2017**	
	Miscellaneous Plan	Safety Plan	Miscellaneous Plan	Safety Plan	Miscellaneous Plan	Safety Plan
Proportion of the net pension liability	0.02848%	0.01909%	0.03004%	0.01711%	0.06907%	0.02812%
Proportionate share of the net pension liability	\$ 1,772,373	\$ 1,187,720	\$ 2,061,992	\$ 1,174,467	\$ 2,399,488	\$ 1,456,519
Covered-employee payroll	\$ 869,779	\$ 688,280	\$ 999,209	\$ 733,381	\$ 1,028,213	\$ 755,585
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.77%	172.56%	206.36%	160.14%	233.36%	192.77%
Plan's fiduciary net position	\$ 4,867,709	\$ 3,566,435	\$ 4,792,404	\$ 3,698,975	\$ 4,874,055	\$ 3,790,065
Plan fiduciary net position as percentage of total pension liability	73.31%	75.02%	69.92%	75.90%	67.01%	72.24%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, this schedule provides information only for those years for which information is available.

**Information presented is for the fiscal year ended on the measurement date of the net pension liability.

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	Miscellaneous Plan	Safety Plan	Miscellaneous Plan	Safety Plan	Miscellaneous Plan	Safety Plan
Actuarially required contribution	\$ 193,896	\$ 188,701	\$ 250,456	\$ 184,874	\$ 254,207	\$ 199,694
Contributions in relation to the actuarially determined contribution	(193,896)	(188,701)	(250,456)	(184,874)	(254,207)	(199,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 869,779	\$ 688,280	\$ 999,209	\$ 733,381	\$ 1,028,213	\$ 755,585
Contributions as a percentage of covered- employee payroll	22.29%	27.42%	21.96%	25.47%	24.72%	26.43%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, this schedule provides information only for those years for which information is available.

Additional Auditor's Reports

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**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, 2017, 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 March 7, 2017.

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 2017-001 and 2017-003 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 2017-002 and 2017-004 to be significant deficiencies.

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.

*Borchardt, Corona, Faeth
& Gyakavian*

Fresno, California
March 7, 2017

Findings and Recommendations Section

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CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results

(1) Financial Statements

Type of auditors' report issued:

Qualified

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
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Identification

2017 - 001 *Internal Controls- Use of Purchase Order System*

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 all transactions are properly classified and recorded.

Condition

The City has a policy in place for the use of a purchase order for all non-routine expenditures which exceed \$500. While performing audit procedures on the City's expenditures, we noted multiple disbursements which met the policy criteria and did not have a purchase order prepared or had not been attached to the copy of the canceled warrant and vendor invoice.

Effect

The absence of a consistent, complete and properly used purchase order system at the City lends to an increased opportunity for the misuse of the City's funds for expenditures which are not direct and substantial to the City's purpose. Adequate use of a purchase order system is a good control which allows City staff to maintain accountability for payments on expenditures and for management to have an added level of review of expenditures.

Cause

The City over the past few years has been in the process of strengthening their internal controls including properly training accounting staff on the use of the purchase order system according to the City's policy. Continued efforts on improvement are still in process and not complete.

Questioned Costs

None

Recommendation

We recommend the City utilize a purchase order system for all expenditures that exceed the designated dollar amount, as established by Council policy. We recommend all purchase orders be approved by the Finance Director and/or City Manager as well as attached to all other supporting documentation for each expenditure. The City's management should also offer training as needed to its employees on the proper implementation of the purchase order system.

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
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Identification

2017 - 002 *Internal Controls – Utility Water Deposits*

Criteria or Specific Requirement

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 returnable 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 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

While performing audit procedures on the water deposit balance of \$94,000 collected by the City from residential and commercial customers, we were unable to confirm the accuracy of this balance as of June 30, 2017. The City currently does not review the balance on a routine basis to ensure it is accurate.

Effect

The water service deposits for residential and commercial customers reported on the City's financial statements may not accurately reflect the balance at year-end.

Cause

City personnel have not considered the water deposit policy set by City ordinance in administering water deposits at the City. In addition, there is currently a lack of review of the water deposit balance to ensure it is kept current on the books.

Questioned Costs

Not able to determine

Recommendation

We recommend that City personnel administer water deposits according to City ordinance and routinely review the balance to ensure it is accurately stated on the City's 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
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Identification

2017 - 003 *Internal Controls – Utility Billing*

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

While performing audit procedures to reconcile a liability of \$22,781 related to overpayments by water customers on their utility service accounts and an accounts receivable balance of \$154,827 related to ongoing billings for water services, we were unable to obtain proper documentation to support the balances.

Effect

Water service overpayments and outstanding customer balances currently on the City's financial statements may not be properly stated as of June 30, 2017.

Cause

The City staff has not implemented a routine process of reviewing book balances for water overpayments and outstanding billings to ensure they are kept current on the City's books.

Questioned Costs

Not able to determine

Recommendation

We recommend the implementation of a process to periodically review and monitor water utility service overpayments and billings by the City's finance department to ensure the balances are accurate and properly supported.

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
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Identification

2017 -004 *Internal Controls – Year End Accruals*

Criteria or Specific Requirement

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

Condition

While performing procedures on subsequent disbursements in relation to accounts payable accruals, we noted \$36,236 for engineering services provided to the City during the fiscal year period and paid subsequent had not been included in the accounts payable accruals and expenditure balances at year end.

While reviewing the Community Development Block Grant (CDBG) Business Project Grant expenditure claim forms reimbursement request in relation to accounts receivable accruals, we noted \$152,216 of CDBG Project expense reimbursements due to the City by fiscal year end had not been properly accrued.

Effect

The accounts payable and related expenditures were understated by \$36,236. The CDBG Business Project reimbursements receivables and CDBG Business Project revenue were understated by \$152,216.

Cause

The understatement of accounts payable was due to an inadvertent oversight by the finance department staff in recording year end accruals. The understatement of CDBG Business Project reimbursements receivables was due to the finance department staff not recognizing the current receivable portion of the expenditures incurred for the CDBG Project.

Questioned Costs

None

Recommendation

We recommend the City staff work together to strengthen procedures to identify all receivables and liabilities that need to be accrued at year-end according to generally accepted accounting principles.

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
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Identification

2017-001 *Internal Controls – Use of Purchase Order System*

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Currently all purchases approved by Dept Head, and either Finance Director or City Manager until such time as new procedure is in place which will still require same approvals.

Proposed Completion Date: FY 2019

Finding Identification

2017 - 002 *Internal Controls – Utility Water Deposits*

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Undergoing review by independent accountant

Proposed Completion Date: FY 2019

Finding Identification

2017 - 003 *Internal Controls – Utility Billing*

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Currently being reviewed by independent accountant

Proposed Completion Date: FY 2019

Finding Identification

2017 -004 *Internal Controls – Year End Accruals*

Corrective Action Plan: Review and propose new procedures

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Currently being reviewed by independent accountant

Proposed Completion Date: FY 2019

CITY OF FOWLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

1. Finding/Recommendation

The City has a policy in place for the use of a purchase order for all non-routine expenditures which exceed \$500. While performing audit procedures on accounts payable year-end balances, we noted a payment of \$13,047 related to the Merced Street construction project that did not have a purchase order prepared. The payment was the final of several payments on a total contracted amount of \$260,946.

It was recommended the City utilize a purchase order system for all expenditures that exceed the designated dollar amount, as established by Board policy. We recommend all purchase orders be approved by the Finance Director and/or City Manager as well as attached to all other supporting documentation for each expenditure. The City's management should also offer training as needed to its employees on the proper implementation of the purchase order system.

Current Status

Not Implemented

2. Finding/Recommendation

While performing audit procedures related to the outstanding balance of \$96,000 for water service deposits collected by the City from residential and commercial customers, we were unable to confirm the accuracy of this balance as of June 30, 2017

It was recommended that City personnel review the outstanding balance related to water service deposits to determine the amount that has become the property of the Water Department and make the necessary corrections to the balance.

Current Status

Not Implemented

3. Finding/Recommendation

While performing audit procedures to reconcile a liability of \$12,349 related to overpayments by water customers on their utility service accounts and an accounts receivable balance of \$103,957 related to billings for water services, we were unable to obtain proper documentation to support these amounts.

We recommend the implementation of a process to periodically review and monitor water utility service liability and asset balances to ensure they are accurate and properly supported by quality data.

Current Status

Not Implemented

4. Finding/Recommendation

While performing procedures on subsequent disbursements in relation to accounts payable accruals, we noted invoices totaling \$4,101 for engineering services provided to the City during the fiscal year period but paid subsequent had not been included in the accounts payable accrual and expenditure balances at year end.

We recommend the City staff work together to strengthen procedures to identify all receivables and liabilities that need to be accrued at year end..

Current Status

Not Implemented

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