

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

**BORCHARDT, CORONA, FAETH & ZAKARIAN
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CITY OF FOWLER
AUDIT REPORT
YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 September 25, 2020, 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
& Gakavian*

Fresno, California
September 25, 2020

Introductory Section

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CITY OF FOWLER

Management's Discussion and Analysis (MD&A) June 30, 2018

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, 2018. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$29,997,065 at June 30, 2018.
- Overall revenues and transfers totaled \$8,638,041, which exceeded expenses of \$6,336,589 by \$2,301,452.

OVERVIEW OF FINANCIAL STATEMENTS

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the City operations in more detail. The fund financial statements comprise the remaining statements.

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

Government-Wide Statements

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

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

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

Fund Financial Statements

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

- ❑ Governmental funds - All of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.
- ❑ Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.
- ❑ Fiduciary funds – the City is the trustee, or fiduciary, for assets that belong to others; for the City, the Redevelopment Successor Agency Private Purpose Trust Fund is 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 \$29,997,065 at June 30, 2018. See Table 1.

Table 1
Net Position

	Governmental Activities	Business- Type Activities	Governmental Activities	Business- Type Activities	Total Percentage Change
	2018	2018	2017	2017	2018-2017
ASSETS					
Cash	\$ 8,431,240	\$ 956,958	\$ 5,990,153	\$ 926,784	35.73%
Cash with Fiscal Agent	480,656	-	476,201	-	0.94%
Receivables:					
Accounts, Net and Intergovernmental	665,263	123,255	625,132	154,827	1.10%
Assessments Receivable	841,193	-	949,123	-	(11.37%)
Community Loans	510,631	-	673,276	-	(24.16%)
Inventory	-	58,442	-	58,442	0.00%
Land Held for Resale	153,794	-	153,794	-	0.00%
Deposits with Others	64,705	-	6,369	-	>100%
Capital Assets, Net of Accumulated Depreciation	20,462,203	4,253,409	20,691,601	4,438,453	(1.65%)
TOTAL ASSETS	31,609,685	5,392,064	29,565,649	5,578,506	5.29%
Deferred Outflows of Resources -					
Pensions	1,191,362	305,602	1,079,764	265,265	0.00%
LIABILITIES					
Accounts Payable	226,322	38,468	176,323	58,841	12.60%
Accrued Liabilities	6,734	-	24,568	-	(72.59%)
Consumer Overpayments and Deposits (Net of Allowance for Doubtful Accounts of \$49,004)	-	82,056	-	94,287	(12.97%)
Unearned Revenue	177,903	-	341,974	-	(47.98%)
Compensated Absences	104,949	29,730	85,410	26,669	20.16%
Due to Other Agencies	-	-	215,979	-	N/A
Net Pension Liability	3,455,239	651,741	3,083,914	517,526	14.04%
Long-Term Debt	1,901,763	1,728,523	2,185,017	1,801,288	(8.93%)
TOTAL LIABILITIES	5,872,910	2,530,518	6,113,185	2,498,611	(2.42%)
Deferred Inflows of Resources -					
Pensions	124,565	(26,345)	185,939	(4,162)	(45.97%)
NET POSITION					
Net Investment in Capital Assets	18,560,440	2,524,886	18,506,584	2,637,165	(0.28%)
Restricted for:					
Debt Service	868,008	-	677,368	-	28.14%
Capital Projects	3,558,314	-	1,688,983	-	>100%
Unrestricted	3,816,810	668,607	3,473,354	712,157	7.17%
TOTAL NET POSITION	\$ 26,803,572	\$ 3,193,493	\$ 24,346,289	\$ 3,349,322	8.31%

Changes in Net Position

The City's total revenues, including business-type activities, were \$8,638,041. Most of the revenue comes from various taxes, \$5,515,985 (63.86%). Operating Grants accounted for \$762,796, (8.83%) and combined charges for services totaled \$2,108,111 (24.40%) of total revenues.

The total cost of all programs and services, including business-type activities, was \$6,336,589. The City's expenses are predominately related to General Government and Public Safety (54.37%). Water Services accounted for 22.89% of total costs. The remaining expenses accounted for community and debt service costs.

Table 2
Changes in Net Position

	Governmental Activities 2018	Business- Type Activities 2018	Governmental Activities 2017	Business- Type Activities 2017	Total Percentage Change 2018-2017
REVENUES					
Program Revenues:					
Charges for Services	\$ 775,327	\$ 1,332,784	\$ 464,739	\$ 1,162,873	29.52%
Operating Grants	762,796	-	1,369,517	-	(44.30%)
General Revenues:					
Taxes	5,515,985	-	3,814,213	-	44.62%
Rental Income	182,754	-	211,637	-	(13.65%)
Investment Income	26,068	1,023	20,441	2,876	16.19%
Miscellaneous	34,724	6,580	66,847	-	(38.21%)
Transfers, Net	45,776	(45,776)	163,696	(45,776)	(100.00%)
TOTAL REVENUES	7,343,430	1,294,611	6,111,090	1,119,973	19.46%
PROGRAM EXPENSES					
General Government	1,569,154	-	1,416,494	-	10.78%
Public Safety	1,875,209	-	1,605,179	-	16.82%
Public Works	614,421	-	1,344,146	-	(54.29%)
Community Development	398,745	-	389,411	-	2.40%
Culture and Recreation	340,347	-	386,111	-	(11.85%)
Interest on Long-Term Debt	88,273	-	77,370	-	14.09%
Water Services	-	1,450,440	-	1,517,085	(4.39%)
TOTAL EXPENSES	4,886,149	1,450,440	5,218,711	1,517,085	(5.93%)
INCREASE (DECREASE) IN NET POSITION	2,457,281	(155,829)	892,379	(397,112)	>100%
BEGINNING NET POSITION	24,346,291	3,349,322	22,717,082	40,616,421	(56.27%)
PRIOR PERIOD ADJUSTMENT**	-	-	736,828	(269,987)	(100.00%)
ENDING NET POSITION	\$ 26,803,572	\$ 3,193,493	\$ 24,346,289	\$ 39,949,322	(53.35%)

** For the year ended June 30, 2017, the City had a net prior period adjustment of \$736,828 for Governmental Activities and \$(269,987) for Business Type Activities due to adjustments to capitalized assets for obsolete items and proper classification as well as adjustments for long term debt allocation for the 2010 bond.

Governmental Activities

The cost of all governmental activities this year was \$4,886,149.

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	
	2018	2017	2018	2017
General Government	\$ 1,569,154	\$ 1,416,495	\$ 1,565,443	\$ 1,262,547
Public Safety	1,875,209	1,605,179	1,665,512	1,454,367
Public Works	614,421	1,344,145	23,922	172,469
Community Development	398,745	389,411	(321,266)	49,009
Culture and Recreation	340,347	386,111	326,142	368,693
Interest on Long-Term Debt	88,273	77,370	88,273	77,370
	\$ 4,886,149	\$ 5,218,711	\$ 3,348,026	\$ 3,384,455

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 \$9,411,259, which reflects an increase from last year's ending fund balance of \$6,612,296 of \$2,798,963.

Table 4
Governmental Funds Balances and Activity

	Balances and Activity			
	July 1, 2017	Revenues & Other Sources	Expenditures & Other Uses	June 30, 2018
General Fund	\$ 2,049,435	\$ 4,123,562	\$ 3,792,709	\$ 2,380,288
Utility Users Tax Fund	1,000,591	425,876	597,034	829,433
Fowler Public Financing Authority (PFA) Debt Service Fund	476,201	294,497	291,984	478,714
Citizens' Option for Public Safety (COPS) Fund	-	188,163	-	188,163
Gas Tax Fund	99	130,488	100,000	30,587
LTF Article 3 Fund	28,136	4,269	-	32,405
LTF Article 8 Fund	356,853	125,732	107,709	374,876
Measure C Fund	468,863	245,709	-	714,572
Road Maintenance and Rehabilitat- ion Act SB1 Fund	-	23,761	-	23,761
Community Development Block Grant Fund	341,967	68,911	26	410,852
Community Development Fund	-	-	-	-
Debt Service 88-1 Fund	2,694	20,129	-	22,823
Assessment City No. 93-1 Fund	15,108	15,010	24,112	6,006
Hospital Improvement Fund	-	17,600	17,600	-
Merced Street Fund	153,794	100,000	100,000	153,794
Debt Service Fire Station Fund	-	59,500	-	59,500
Assessment City No. 94-1 Fund	29,571	272,963	155,364	147,170
Water Well Maintenance Fund	86,820	418,327	60,393	444,754
Groundwater Fund	73,134	45,776	-	118,910
General Services Fund	72,335	39,426	2,026	109,735
Law Enforcement Fund	231,447	129,184	-	360,631
Fire Fund	409,797	165,747	-	575,544
AB 1600-Streets	-	83,608	-	83,608
Parks Fund	38,641	163,634	-	202,275
Water Fund	174,002	177,514	-	351,516
Sewer Fund	604,980	360,518	-	965,498
Storm Drain Fund	48,498	49,089	-	97,587
Fire Station Project Fund	(101,615)	400,000	101,125	197,260
Highway 99/Merced Street Fund	50,945	52	-	50,997
Total	\$ 6,612,296	\$ 8,149,045	\$ 5,350,082	\$ 9,411,259

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 October 3, 2017. There was no variation between original and final budget revenue and expenditures amount. A schedule of the City's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the City had a net investment of \$24,715,612 in capital assets, comprised as shown on Table 5. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table 5
Capital Assets

	Governmental Activities 2018	Business- Type Activities 2018	Governmental Activities 2017	Business- Type Activities 2017	Total Percentage Change 2018-2017
Land	\$ 1,043,531	\$ 191,046	\$ 1,043,531	\$ 191,046	0.00%
Right of Ways	7,447,189	-	7,447,189	-	0.00%
Buildings and Improvements, Net	1,810,095	8,208	1,890,232	8,696	(4.25%)
Machinery and Equipment, Net	188,371	257,934	230,119	290,555	(14.28%)
Infrastructures, Net	9,795,764	3,796,221	10,002,662	3,948,156	(2.57%)
Construction in Progress	177,253	-	77,868	-	>100%
NET CAPITAL POSITION	\$ 20,462,203	\$ 4,253,409	\$ 20,691,601	\$ 4,438,453	(1.65%)

Long-Term Debt

At year-end, the City had \$7,737,266 in combined debt, as shown in Table 6. More detailed information about the City's debt is presented in the notes to the financial statements.

Table 6
Long-Term Debt

	Governmental Activities 2018	Business- Type Activities 2018	Governmental Activities 2017	Business- Type Activities 2017	Total Percentage Change 2018-2017
Net Pension Liability	\$ 3,455,239	\$ 651,741	\$ 3,083,914	\$ 517,526	14.04%
Revenue Bonds	1,796,000	125,000	2,008,000	150,000	(10.98%)
Certificates of Participation	-	1,600,900	-	1,633,700	(2.01%)
Note Payable	54,000	2,623	108,000	17,588	<100%
Energy Efficiency Retrofit Loan	51,763	-	69,017	-	(25.00%)
TOTAL LONG-TERM DEBT	\$ 5,357,002	\$ 2,380,264	\$ 5,268,931	\$ 2,318,814	1.97%

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 2019 included a 2% cost of living increase for salary steps.
- ❑ The unfunded CalPERS liability will continue to increase significantly over the next few years and will have a material impact on the City's financial situation. In 2018, the City voters approved a 1% District Sales Tax to help offset the increased costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Investments	\$ 8,431,239	\$ 956,958	\$ 9,388,197
Investments Held by fiscal agent:			
Restricted	480,657	--	480,657
Receivables:			
Accounts, Net	342,486	123,255	465,741
Intergovernmental	322,777	--	322,777
Assessments	841,193	--	841,193
Community Loans	510,631	--	510,631
Inventory	--	58,442	58,442
Land held for resale	153,794	--	153,794
Deposits with others	64,705	--	64,705
Capital assets			
Land	1,043,531	191,046	1,234,577
Right of Ways	7,447,189	--	7,447,189
Buildings and Improvements, Net	1,810,095	8,208	1,818,303
Machinery and Equipment, Net	188,371	257,934	446,305
Infrastructures, Net	9,795,764	3,796,221	13,591,985
Construction in Progress	177,253	--	177,253
Total Assets	<u>31,609,685</u>	<u>5,392,064</u>	<u>37,001,749</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	<u>1,191,362</u>	<u>305,602</u>	<u>1,496,964</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	226,322	38,468	264,790
Accrued liabilities	6,734	--	6,734
Consumer Overpayments and Deposits (Net of Allowance for Doubtful Accounts of \$49,004)	--	82,056	82,056
Unearned Revenue	177,903	--	177,903
Compensated Absences	104,949	29,730	134,679
Noncurrent Liabilities:			
Net Pension Liability	3,455,239	651,741	4,106,980
Due within one year	303,254	60,184	363,438
Due in more than one year	1,598,509	1,668,339	3,266,848
Total Liabilities	<u>5,872,910</u>	<u>2,530,518</u>	<u>8,403,428</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - Pensions	<u>124,565</u>	<u>(26,345)</u>	<u>98,220</u>
NET POSITION:			
Net Investment in Capital Assets	18,560,440	2,524,886	21,085,326
Restricted For:			
Debt Service	868,008	--	868,008
Capital Projects	3,558,314	--	3,558,314
Unrestricted	3,816,810	668,607	4,485,417
Total Net Position	<u>\$ 26,803,572</u>	<u>\$ 3,193,493</u>	<u>\$ 29,997,065</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General Government	\$ 1,569,154	\$ --	\$ 3,711
Public Safety	1,875,209	6,088	203,609
Public Works	614,421	52,703	537,796
Community Development	398,745	702,331	17,680
Culture and Recreation	340,347	14,205	--
Interest on Long-term Debt	88,273	--	--
Total Governmental Activities	<u>4,886,149</u>	<u>775,327</u>	<u>762,796</u>
Business-type Activities:			
Water	1,450,440	1,332,784	--
Total Business-type Activities	<u>1,450,440</u>	<u>1,332,784</u>	<u>--</u>
Total Primary Government	<u>\$ 6,336,589</u>	<u>\$ 2,108,111</u>	<u>\$ 762,796</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

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>
\$ (1,565,443)		\$ (1,565,443)
(1,665,512)		(1,665,512)
(23,922)		(23,922)
321,266		321,266
(326,142)		(326,142)
(88,273)		(88,273)
<u>(3,348,026)</u>		<u>(3,348,026)</u>
 --	 \$ (117,656)	 (117,656)
 --	 (117,656)	 (117,656)
<u>(3,348,026)</u>	<u>(117,656)</u>	<u>(3,465,682)</u>
 1,085,119	 --	 1,085,119
1,269,602	--	1,269,602
346,470	--	346,470
424,838	--	424,838
1,791,944	--	1,791,944
598,012	--	598,012
182,754	--	182,754
26,068	1,023	27,091
34,724	6,580	41,304
45,776	(45,776)	--
<u>5,805,307</u>	<u>(38,173)</u>	<u>5,767,134</u>
2,457,281	(155,829)	2,301,452
24,346,291	3,349,322	27,695,613
<u>\$ 26,803,572</u>	<u>\$ 3,193,493</u>	<u>\$ 29,997,065</u>

CITY OF FOWLER**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2018

	General Fund	Utility Users Tax Fund
ASSETS AND OTHER DEBITS		
Assets:		
Cash and Investments	\$ 1,930,296	\$ 837,915
Cash with Fiscal Agent	--	--
Accounts Receivable	296,568	36,522
Due from Other Agencies	246,056	--
Community Loans	--	--
Due from Other Funds	210,842	135,829
Deposits with Others	58,336	--
Property held for Sale	--	--
Total Assets and Other Debits	<u>\$ 2,742,098</u>	<u>\$ 1,010,266</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 199,280	\$ 15,707
Accrued Liabilities	6,734	--
Unearned Revenue	50,847	--
Due to Other Funds	--	165,126
Compensated Absences	104,949	--
Total Liabilities	<u>361,810</u>	<u>180,833</u>
Fund Balances:		
Restricted for:		
Special Purposes	--	829,433
Committed for:		
Assigned for:		
Special Purpose	--	--
Unassigned	2,380,288	--
Total Fund Balance	<u>2,380,288</u>	<u>829,433</u>
Total Liabilities and Fund Balance	<u>\$ 2,742,098</u>	<u>\$ 1,010,266</u>

The accompanying notes are an integral part of this statement.

<u>Fire Station Project Fund</u>	<u>Fowler Public Financing Authority Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 381,951	\$ --	\$ 5,281,077	\$ 8,431,239
--	480,657	--	480,657
--	--	9,396	342,486
--	--	76,721	322,777
--	--	127,056	127,056
--	--	3,349	350,020
--	--	6,369	64,705
--	--	153,794	153,794
<u>\$ 381,951</u>	<u>\$ 480,657</u>	<u>\$ 5,657,762</u>	<u>\$ 10,272,734</u>
\$ 1,740	\$ --	\$ 5,142	\$ 221,869
--	--	--	6,734
--	--	127,056	177,903
182,951	1,943	--	350,020
--	--	--	104,949
<u>184,691</u>	<u>1,943</u>	<u>132,198</u>	<u>861,475</u>
197,260	--	5,080,811	6,107,504
--	478,714	444,753	923,467
--	--	--	2,380,288
<u>197,260</u>	<u>478,714</u>	<u>5,525,564</u>	<u>9,411,259</u>
<u>\$ 381,951</u>	<u>\$ 480,657</u>	<u>\$ 5,657,762</u>	<u>\$ 10,272,734</u>

CITY OF FOWLER

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total fund balances - governmental funds balance sheet	\$ 9,411,259
--	--------------

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.	20,462,203
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,796,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,453)
Payables for notes which are not due in the current period are not reported in the funds.	(105,763)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	383,575
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	841,193
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(3,455,239)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(124,565)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,191,362

Net position of governmental activities - Statement of Net Position	<u>\$ 26,803,572</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, 2018

	General Fund	Utility Users Tax Fund
Revenue:		
Taxes	\$ 2,269,712	\$ 424,838
License and Permits	1,324,124	--
Fines and Penalties	8,606	--
Revenue from Use of Money and Property	19,864	--
Charges for Service	419,183	--
Intergovernmental Revenue	54,445	--
Miscellaneous	27,628	--
Total revenues	<u>4,123,562</u>	<u>424,838</u>
Expenditures:		
Current:		
General Government	995,388	--
Public Safety	1,704,336	26,108
Public Works	405,923	--
Community Development	355,692	--
Culture and Recreation	278,746	29,000
Capital Outlay	19,586	28,426
Debt Service		
Principal	--	54,000
Interest and Fiscal Charges	--	--
Total Expenditures	<u>3,759,671</u>	<u>137,534</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>363,891</u>	<u>287,304</u>
Other Financing Sources (Uses):		
Operating Transfers In	--	1,038
Operating Transfers Out	(33,038)	(459,500)
Total Other Financing Sources (Uses)	<u>(33,038)</u>	<u>(458,462)</u>
Net Change in Fund Balances	330,853	(171,158)
Fund Balances - Beginning	2,049,435	1,000,591
Fund Balances - Ending	<u>\$ 2,380,288</u>	<u>\$ 829,433</u>

The accompanying notes are an integral part of this statement.

Fire Station Project Fund	Fowler Public Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 293,841	\$ 2,988,391
--	--	--	1,324,124
--	--	--	8,606
--	294,497	71,302	385,663
--	--	418,327	837,510
--	--	1,848,128	1,902,573
--	--	--	27,628
--	294,497	2,631,598	7,474,495
--	--	297,075	1,292,463
--	--	--	1,730,444
--	--	90,455	496,378
--	--	24,183	379,875
1,740	--	2,027	311,513
99,385	--	--	147,397
--	212,000	17,254	283,254
--	79,984	--	79,984
101,125	291,984	430,994	4,721,308
(101,125)	2,513	2,200,604	2,753,187
400,000	--	273,512	674,550
--	--	(136,236)	(628,774)
400,000	--	137,276	45,776
298,875	2,513	2,337,880	2,798,963
(101,615)	476,201	3,187,684	6,612,296
\$ 197,260	\$ 478,714	\$ 5,525,564	\$ 9,411,259

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, 2018

Net change in fund balances - total governmental funds \$ 2,798,963

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

Capital outlays are not reported as expenses in the SOA.	147,397
The depreciation of capital assets used in governmental activities is not reported in the funds.	(376,795)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(68,911)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(12,055)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	212,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	71,254
(Increase) decrease in accrued interest from beginning of period to end of period.	(8,289)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(107,930)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as DRO.	332,748
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(531,101)

Change in net position of governmental activities - Statement of Activities \$ 2,457,281

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

	Water Fund
ASSETS:	
Current Assets:	
Cash and Investments	\$ 956,958
Accounts Receivable, Net	123,255
Inventories	58,442
Total Current Assets	<u>1,138,655</u>
Noncurrent Assets:	
Fixed Assets:	
Land	191,046
Buildings and Improvements, Net	8,208
Machinery and Equipment, Net	257,934
Infrastructures, Net	3,796,221
Total Noncurrent Assets	<u>4,253,409</u>
Total Assets	<u>5,392,064</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pension	<u>\$ 305,602</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 38,468
Consumer Overpayments and Deposits (Net of Allowance for Doubtful Accounts of \$49,004)	82,056
Compensated Absences	29,730
Total Current Liabilities	<u>150,254</u>
Noncurrent Liabilities:	
Due in one year	60,184
Due in more than one year	1,668,339
Net Pension Liability	651,741
Total Noncurrent Liabilities	<u>2,380,264</u>
Total Liabilities	<u>2,530,518</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pension	<u>(26,345)</u>
NET POSITION:	
Investment in Capital Assets, Net of Related Debt	4,253,409
Unrestricted (Deficit)	(1,059,916)
Total Net Position	<u>\$ 3,193,493</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, 2018**

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for services	\$ <u>1,339,364</u>
OPERATING EXPENSES:	
Personnel costs	717,484
Materials and Supplies	24,799
Contract Services	99,853
Legal Fees	4,423
Utilities	170,707
Insurance	33,859
Repairs and Maintenance	95,786
Rent and leases	3,505
Depreciation	185,044
Bad Debt Expense	31,628
Other	4,708
Total Operating Expenses	<u>1,371,796</u>
Operating Income	<u>(32,432)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	1,023
Interest Expense	<u>(78,644)</u>
Total Non-operating Revenues (Expenses)	<u>(77,621)</u>
Income before Transfers	(110,053)
Interfund Operating Transfers Out	(45,776)
Change in Net Position	<u>(155,829)</u>
Total Net Position - Beginning	<u>3,349,322</u>
Total Net Position - Ending	<u>\$ <u>3,193,493</u></u>

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, 2018

	Water Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,358,705
Cash Payments to Suppliers for Goods and Services	(489,641)
Cash Payments to Employees for Services	(642,728)
Net Cash Provided (Used) by Operating Activities	<u>226,336</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	(151,409)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(151,409)</u>
Cash Flows from Investing Activities:	
Interest Income	1,023
Net Cash Provided (Used) for Investing Activities	<u>1,023</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,174
Cash and Cash Equivalents at Beginning of Year	926,784
Cash and Cash Equivalents at End of Year	<u>\$ 956,958</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (32,432)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	185,044
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	31,572
Increase (Decrease) NPL & related DRO & DRI	71,695
Increase (Decrease) in Accounts Payable	(20,373)
Decrease (Increase) in Customer Deposits	(12,231)
Increase (Decrease) in Compensated Absences	3,061
Total Adjustments	<u>258,768</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 226,336</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2018****Redevelopment
Sucessor Agency
Private Purpose
Trust Fund****ASSETS:**

Cash and Investments

\$ 584,848

Total Current Assets

584,848**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred Outflows of Resources - Pension

\$ 60,259**LIABILITIES:**

Current Liabilities

Accounts Payable

\$ 53

Unearned Revenue

109,345

Total Current Liabilities

109,398

Noncurrent Liabilities

Due in one year

53,000

Due in more than one year

356,000

Net Pension Liability

256,111

Total Noncurrent Liabilities

665,111

Total Liabilities

774,509**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources - Pension

27,436**NET POSITION**

Restricted

(156,838)

TOTAL NET POSITION

\$ (156,838)

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, 2018**

	Redevelopment Successor Agency Private Purpose Trust Fund
Additions:	
Tax Revenue	\$ 356,723
Total Additions	<u>356,723</u>
Deductions:	
Personnel Costs	4,131
Professional Services	2,412
Debt Service - Interest	<u>43,300</u>
Total Deductions	<u>49,843</u>
Change in Net Position	306,880
Net Position-Beginning of the Year	(463,718)
Net Position-End of the Year	<u>\$ (156,838)</u>

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Statement

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

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

2. Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Fowler

Blended Component Units: Fowler Public Financing Authority

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

Blended Component Units

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

Discretely Presented Component Units

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Component Unit	Brief Description/Inclusion Criteria	Reporting
Fowler Public Financing Authority	The Fowler Public Financing Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California. The Authority's specific and primary purpose is to provide financial assistance to the City of Fowler by acquiring qualified obligations from the City which were issued for the acquisition, construction, and improvement of public facilities and property. The current City Council serves as entire governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Debt Service Fund

3. Basis of Presentation, Basis of Accounting

a. Change in Accounting Policies

The City has adopted accounting policies compliant with new pronouncements issued by the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pensions Plans

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

The City does not provide postemployment benefits plans other than pension plans. As a result, the implementation of GASB Statement No. 75 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 85 – Omnibus 2017

The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending components units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

The City has implemented the provisions of the statement as of June 30, 2018.

GASB Statement No. 86 – Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The City has implemented the provisions of this statement as of June 30, 2018.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements: The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

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

The City has presented the following major governmental funds:

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

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

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

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

The City reports the following non-major governmental funds:

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

- The Citizens' option for Public Safety (COPS) Fund is used to account separately for state revenues for public safety purposes.
- The Gas Tax Fund is used to account separately for state revenues used for street and road purposes.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

- The LTF Article 3 Fund is used to account separately for state revenues used for local pedestrian and bicycle path projects.
- LTF Article 8 Fund is used to account separately for state revenues used for local streets and roads projects.
- The Measure C Fund is used to account separately for County revenues used for roads and transportation projects in Fresno County.
- The Road Maintenance and Rehabilitation Act SBI Fund is used to account separately for state revenues used for transportation projects.
- The Community Development Block Grant Fund is used to account separately for state revenues to assist in development activities.
- The Low and Moderate Income Housing Fund is used to account separately for housing assets.

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

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

- The Water Well Maintenance Fund is used to account separately for water well maintenance fees collected by the City through the building permit system as well as to track the expenses incurred by the City to maintain its water wells.
- The Groundwater Fund is used to account for fees paid to the Consolidated Irrigation District (District) to be placed into a groundwater management and replenishment fund for purposes of implementing groundwater replenishment methodologies to benefit the City and District.
- The General Services Fund is used to account for developer fees provided for equipment, construction and maintenance of general City assets.
- The Law Enforcement Fund is used to account for developer fees provided for the purchase of vehicles and equipment.
- The Fire Department Fund is used to account for developer fees provided for the purchase of vehicles and equipment.
- The AB 1600-Streets Fund is used to account for development impact fees to be used to reduce the impact of costs related to street maintenance and improvements.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

- The Parks Fund is used to account for developer fees provided for equipment, construction and maintenance of park facilities.
- The Water Fund is used to account for developer fees provided for equipment, construction and maintenance of public works facilities.
- The Sewer Fund is used to account for developer fees provided for infrastructure construction and improvement.
- The Storm Drain Fund is used to account for developer fees provided for construction and maintenance of City infrastructure.
- The Highway 99/Merced Street Fund is used to account for developer fees provided for street and highway maintenance and construction.

In addition, the City reports the following fund types:

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

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

c. Measurement Focus, Basis of Accounting

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

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

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

4. Encumbrances

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

5. Budgets and Budgetary Accounting

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

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

6. Assets, Liabilities, and Equity

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Receivable and Payable Balances

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

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

d. Loans Receivable

For the purpose of the Fund Financial Statements, Special Revenue Fund expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable with an offset to a deferred revenue account.

e. Inventory and Prepaid Expenditures

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

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

f. Capital Assets

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

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the June 30, 2018 basic financial statements.

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

g. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned or unused vacation leave. Vacation is accumulated at 6-2/3 hours per month for full-time regular employees with less than 5 years' service to a maximum of 13-1/3 hours per month for full-time regular employees with over 10 years of service. Maximum vacation leave accumulated may not exceed 320 hours at any one time. Vacation leave may be taken as determined by the employee's Department Head, City Manager, or Council (in case of Department Heads) with due consideration for the employee's wishes and needs of the service provided. At June 30, 2018, the amount of accrued vacation pay was \$104,949 for the General Fund, and \$29,730 for the Proprietary Fund.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

h. Unearned revenue

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

i. Interfund Activity

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

j. Deferred Outflows/Inflows of Resources

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

k. Long-Term Liabilities

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

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

l. Fund Balances

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

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

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

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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

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

m. Net Position

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

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

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

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

n. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

o. Use of Estimates

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

7. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Redevelopment Successor Agency Private Purpose Trust	\$ (156,838)	Deficit fund balance will be reduced with the future receipt of tax increment revenues.

8. Excess Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Community Development	\$134,141
Utility Users Tax Fund:	
Public Safety	\$26,108

The City exceeded budgeted expenditures in the General Fund, Community Development due to the City's outside planning and engineering consulting firms' time utilized for several new residential and business developments: Woodside Homes, Adventist Health Center, and MAXCO Packing. The City offset these costs by increasing receipts from building permits and other development related fees.

The Utility Users Tax Fund accumulates money from taxes to help with fire and police, it is a safety tax assessed to the Fowler residents. The City has discretion as to how to use the funds and in current year, the City incurred excess operating supplies expense.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

9. Cash and Investments

Summary of Cash and Investments

Cash and Investments at June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Governmental Activities:

Cash and Investments	\$ 8,431,239
Restricted Cash with a fiscal agent/trustee	480,657

Business Type Activities:

Cash and Investments	956,958
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Fiduciary Funds:

Cash and Investments	584,848
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\$ 10,453,702

Cash and investments as of June 30, 2018 consist of the following:

Deposits with financial institutions	\$ 9,201,643
Cash on hand	700
Investments	770,702
Cash with a fiscal agent/trustee	480,657
	<u><u>\$ 10,453,702</u></u>

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

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

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

(a) Collateral for Deposits

The City of Fowler maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net position as cash and investments. The carrying amount of the City's cash deposits was \$8,616,795 at June 30, 2018 (excludes cash deposits of fiduciary fund). The general bank balance at June 30, 2018 was \$8,715,006 (excludes cash in bank of fiduciary fund) which was either insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

(b) Local Agency Investment Fund (LAIF)

The City participates in an external investment pool, as defined by GASB Statement No. 31, by way of its funds on deposit in the LAIF managed by the State of California. These funds are pooled with those of other agencies in the State and invested in accordance with state guidelines. Substantially all information required for the GASB Statement No. 31 disclosure was unavailable at the time these financial statements were prepared. The balance of \$770,702 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, 2018

Investments authorized by Debt Agreement

The balance of \$480,657 includes the bond issue proceeds trust accounts which consist of proceeds from bonds which are unspent or reserved. These funds are required to be held by outside fiscal agents under the provisions of the bond agreements. The California Government Code provides these monies in the absence of specific statutory provision governing the issuance of the certificates, may be invested in accordance with ordinance, resolutions, or indentures specifying the types of investments the fiscal agent may make. These investments are generally more restrictive than the City's investment policy, and at no time have additional investments not permitted by the City's investment policy been authorized.

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

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

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

Negotiable certificates of deposit
 Bankers' acceptances
 Commercial paper

Repurchase agreements
 Reverse repurchase agreements

All of the City's investment activities are within state statutes and the City's investment policy. During the year ended June 30, 2018, the City did not utilize investment types different from those categorized below. A summary of investment securities by category as of June 30, 2018 is as follows:

	<u>Fair Value</u>
Money Market Cash With Fiscal Agent	<u>\$480,657</u>

The fair value of investments held in the City Treasury grouped by maturity at June 30, 2018, is as shown below:

Maturity

Current to one year	<u>\$480,657</u>
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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City invests solely in the Local Agency Investment Fund. All other assets are cash equivalents held in financial institution savings or checking accounts.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Custodial Credit Risk

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment in State Investment Pool

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

Fair Value Measurements

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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

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

The City has no investments subject to categorization.

Investments Not Subject to Fair Value Hierarchy:		
California Local Agency Investment Fund		\$ 770,702
Held with Fiscal Agent:		
Money Market Mutual Funds		<u>480,657</u>
Total Investment Portfolio		<u>\$ 1,251,359</u>

10. Accounts Receivable

Receivable balance as of June 30, 2018 consist of the following:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Funds -			
Accounts Receivable	\$ 342,486	\$ -	\$ 342,486
Due from Other Agencies	322,777	-	322,777
Enterprise Fund -			
Accounts Receivable	\$ 154,883	\$ (31,628)	\$ 123,255

11. 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, 2018 consisted of the following:

<u>Due to Other Fund</u>	<u>Due From Other Fund</u>	<u>Amount</u>	<u>Purpose</u>
Utility Users Tax Fund	General Fund	\$ 165,126	Reimbursement for operating expense warrants paid from general checking bank account.
Fire Station Project Fund	General Fund	43,773	Cash flows for fire station design costs and reimbursement for fire station costs paid from general checking bank account.
Fire Station Project Fund	Utility Users Tax Fund	135,829	Cash flows for fire station design costs.
Fire Station Project Fund	Fire Department Fund	3,349	Cash flows for fire station design costs.
Fowler Public Financing Authority (PFA) Debt Service Fund	General Fund	1,943	To reimburse for debt service administrative expenses.
		<u>\$ 350,020</u>	

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Transfers To and From Other Funds

Transfer in to and out from other funds at June 30, 2018 consisted of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Utility Users Tax Fund	\$ 1,038	Utility tax transfer.
Utility users Tax Fund	Fire Station Project Fund	400,000	Contribution for new fire station construction costs.
Utility users Tax Fund	Debt Service Fire Station Fund	59,500	Contribution for new fire station construction costs.
Gas Tax Fund	Merced Street Fund	100,000	Transfer of Merced Street improvement debt service funds.
Water Fund - Enterprise	Ground Water Fund	45,776	Transfer of CID fees.
Water Well Maintenance Fund	Water Fund - Governmental	36,236	Transfer of water well maintenance costs.
General Fund	Assessment City No. 93-1 Fund	14,400	Transfer of 1993 assessment debt service funds.
General Fund	Hospital Improvement Fund	17,600	Transfer of hospital improvement debt service funds.
		<u>\$ 674,550</u>	

12. Capital Assets

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

	<u>Beginning Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance June 30, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,043,531	\$ -	\$ -	\$ 1,043,531
Right of ways	7,447,189	-	-	7,447,189
Construction in progress	77,868	99,385	-	177,253
Total capital assets not being depreciated	<u>8,568,588</u>	<u>99,385</u>	<u>-</u>	<u>8,667,973</u>
Capital assets being depreciated:				
Buildings and improvements	2,858,328	5,831	-	2,864,159
Machinery and equipment	2,076,411	42,181	-	2,118,592
Infrastructures	15,396,107	-	-	15,396,107
Total capital assets being depreciated	<u>20,330,846</u>	<u>48,012</u>	<u>-</u>	<u>20,378,858</u>
Less accumulated depreciation for:				
Buildings and improvements	968,096	85,968	-	1,054,064
Machinery and equipment	1,846,292	83,929	-	1,930,221
Infrastructures	5,393,445	206,898	-	5,600,343
Total accumulated depreciation	<u>8,207,833</u>	<u>376,795</u>	<u>-</u>	<u>8,584,628</u>
Total capital assets being depreciated, net	<u>12,123,013</u>	<u>(328,783)</u>	<u>-</u>	<u>11,794,230</u>
Governmental activities capital assets, net	<u>20,691,601</u>	<u>(229,398)</u>	<u>-</u>	<u>20,462,203</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	191,046	-	-	191,046
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>191,046</u>	<u>-</u>	<u>-</u>	<u>191,046</u>
Capital assets being depreciated:				
Buildings and improvements	12,186	-	-	12,186
Machinery and equipment	480,718	-	-	480,718
Infrastructures	6,077,395	-	-	6,077,395
Total capital assets being depreciated	<u>6,570,299</u>	<u>-</u>	<u>-</u>	<u>6,570,299</u>
Less accumulated depreciation for:				
Buildings and improvements	3,491	487	-	3,978
Machinery and equipment	190,162	32,622	-	222,784
Infrastructures	2,129,237	151,937	-	2,281,174
Total accumulated depreciation	<u>2,322,890</u>	<u>185,046</u>	<u>-</u>	<u>2,507,936</u>
Total capital assets being depreciated, net	<u>4,247,409</u>	<u>(185,046)</u>	<u>-</u>	<u>4,062,363</u>
Business-type activities capital assets, net	<u>4,438,455</u>	<u>(185,046)</u>	<u>-</u>	<u>4,253,409</u>
Total capital assets	<u>\$ 25,130,056</u>	<u>\$ (414,444)</u>	<u>\$ -</u>	<u>\$ 24,715,612</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 246,902
Public safety	17,012
Public works	101,633
Parks and recreation	11,248
Total	<u>\$ 376,795</u>

13. Community Loans Receivable

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants (CDBG) from the U.S. Department of Housing and Urban Development. These grants are used to provide loan funding for small businesses in the City of Fowler. The purpose is to develop growth and create jobs in the community of Fowler. The loans are made at reasonable rates. The total loans receivable for the CDBG community loans is \$383,575 and is presented on the City's Statement of Net Position financial statement as noted below.

Upon dissolution of the Redevelopment Agency on February 1, 2012 and in accordance with California Health and Safety Code 34176, the City elected to retain the housing assets and functions previously performed by the Redevelopment Agency. The housing assets include loans or grants receivable funded from the Low- and Moderate-Income Housing Fund (LMIHAF), from homebuyers and homeowners, that require occupancy by persons of low or moderate income as defined by Community Redevelopment law. The required occupancy is met ten years from the issuance of the loan to the homebuyer/owner. The remaining loan receivable balance from the Low-and Moderate-Income Housing Fund on June 30, 2018 is \$127,056 and is presented on the City's Statement of Net Position financial statement as noted below.

2% loan to Dale Brisco, Inc. due in monthly installments of \$644 including principal and interest.	\$ 4,615
2% loan to La Quinta due in monthly installments of \$2,583 including principal and interest.	300,964 *
No interest loan to Nouveau Hair Salon due in monthly installments of \$179	613 *
No interest loan to Espana & Associates due in monthly installments of \$119	4,879 *
No interest loan to Borga Steel Buildings and Components due in monthly installments of \$833.	<u>72,504</u>
Total CDBG Loans Receivable	<u>383,575</u>
Total LMIHAF Loans Receivable	<u>127,056</u>
Total Community Loans Receivable	<u>\$ 510,631</u>

* Loans in arrears as of June 30, 2018.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

14. Amount to be Provided by Special Assessments Receivable

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, 2018:

Assessment City 1993-1	\$ 115,638
Assessment City 1994-1	725,555
	<u>\$ 841,193</u>

Future commitments to the City follow:

<u>Year Ended</u> <u>June 30</u>	
2019	\$ 178,998
2020	179,888
2021	175,142
2022	178,786
2023	179,244
2024-2025	<u>165,958</u>
	1,058,016
Interest	<u>(216,823)</u>
Total	<u>\$ 841,193</u>

15. Long-Term Obligations

a. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2018 are as follows:

	<u>Beginning Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>June 30, 2018</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Revenue bonds	\$ 2,008,000	\$ -	\$ 212,000	\$ 1,796,000	\$ 232,000
Land Purchase Note	108,000	-	54,000	54,000	54,000
Retrofit Loan	69,017	-	17,254	51,763	17,254
	<u>2,185,017</u>	<u>-</u>	<u>283,254</u>	<u>1,901,763</u>	<u>303,254</u>
Business-type activities:					
State of California:					
Certificates of participation	1,633,700	-	32,800	1,600,900	34,300
Revenue Bond	150,000	-	25,000	125,000	25,000
Department of Water					
Resources note	17,588	-	14,965	2,623	884
	<u>1,801,288</u>	<u>-</u>	<u>72,765</u>	<u>1,728,523</u>	<u>60,184</u>
Trust Activities:					
Successor Agency - Revenue					
Bond	457,000	-	48,000	409,000	53,000
Total	<u>\$ 4,443,305</u>	<u>\$ -</u>	<u>\$ 404,019</u>	<u>\$ 4,039,286</u>	<u>\$ 416,438</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Revenue Bonds

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

The outstanding revenue bonds of the City of Fowler at June 30, 2018 are as follows:

<u>Date of Issue</u>	<u>Interest Rate%</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2017</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2018</u>
2010	2.00-5.10	2023	<u>\$ 4,435,000</u>	<u>\$ 2,615,000</u>	<u>\$ -</u>	<u>\$ 285,000</u>	<u>\$ 2,330,000</u>

Bond Allocated as Follows

	<u>Principal</u>
City of Fowler	\$ 1,796,000
Business Type Activities	125,000
Fiduciary Fund	409,000
Total	<u>\$ 2,330,000</u>

The annual requirements to amortize revenue bonds outstanding as of June 30, 2018, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 310,000	\$ 108,563	\$ 418,563
2020	315,000	94,106	409,106
2021	330,000	78,375	408,375
2022	340,000	61,455	401,455
2023	360,000	43,605	403,605
2024-2027	675,000	17,213	692,213
Total	<u>\$ 2,330,000</u>	<u>\$ 403,317</u>	<u>\$ 2,733,317</u>

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, 2018 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 875	\$ 875
2020	-	874	874
2021	-	874	874
2022	-	-	-
Total	<u>\$ -</u>	<u>\$ 2,623</u>	<u>\$ 2,623</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018, the City has drawn \$1,600,900 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, 2018, are as follows:

Year Ended June 30	Principal	Interest	Total
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	40,700	63,639	104,339
2024-2018	231,500	289,905	521,405
2029-2033	287,000	234,609	521,609
2034-2038	355,300	166,110	521,410
2039-2043	440,200	81,270	521,470
2024-2028	99,900	4,371	104,271
Total	<u>\$ 1,600,900</u>	<u>\$ 1,110,796</u>	<u>\$ 2,711,696</u>

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 Ended June 30	
2019	\$ 17,254
2020	17,254
2021	17,255
Total	<u>\$ 51,763</u>

16. Commitments Under Noncapitalized Leases

a. Office Equipment

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

Year Ended June 30	Lease Payments
2019	\$ 11,696
2020	11,695
2021	10,021
2022	6,465
2023	4,310
Total	<u>\$ 44,187</u>

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

The City made lease payments of \$10,899 for this equipment during the year ended June 30, 2018.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

17. 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	\$ 478,714	\$ -
Water Well Maintenance	-	444,753
	<u>\$ 478,714</u>	<u>\$ 444,753</u>

18. Pension Plans

a. General Information About the Pension Plan

1. Plan Description

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.

2. 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.

The Plans' provisions and benefits for the measurement period ending June 30, 2017 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%

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. 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, 2018, 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 \$248,950 and \$205,454, respectively, for a total of \$454,404 for the year ended June 30, 2018 and equals 100% of the required contributions for the year.

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,690,683
Safety	<u>1,672,408</u>
Total Net Pension Liability	<u>\$ 4,363,091</u>

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.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2016	0.06907%	0.02812%
Proportion - June 30, 2017	<u>0.06826%</u>	<u>0.02799%</u>
Change - Increase (Decrease)	<u>(0.00082%)</u>	<u>(0.00013%)</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, the City recognized pension expense of \$826,854, which includes employee contributions under the Classic Miscellaneous and Safety Plans paid by the City. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 454,404	\$ -
Differences between actual and expected experience	20,467	43,940
Change in assumptions	597,539	45,684
Differences between the employer's contributions and the employer's proportionate share of contributions	151,585	-
Net difference between projected and actual earnings on plan investments	133,052	-
Change in City's Proportion	200,176	36,032
Total	<u>\$ 1,557,223</u>	<u>\$ 125,656</u>

\$454,404 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year Ended June 30	
2019	\$ 347,399
2020	435,635
2021	272,644
2022	(78,515)
Total	<u>\$ 977,163</u>

1. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age - Normal Cost Method	Entry Age - Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
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.

Other significant actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Change of Assumption

The Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

3. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long term expected rate of return for the Plan net of investment expenses and without reduction for administration expenses. 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 in 2013 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 can be found on the CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services.gasb>.

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.

4. Amortization of Deferred Outflows and Deferred Inflows of Resources

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurements period and the prior measurement period on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2017 measurement date 3.8 years, which was obtained by dividing the total service years of 490,008 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

5. Additional Financial and Actuarial Information

Additional financial and actuarial information required for GASB Statements No. 68 disclosures is located in CalPERS' CAFR for the fiscal year ended June 30, 2017, and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and safety risk pools, which can be found on CalPERS' website at <https://www.calpers.ca.gov/page/forms-publications>.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

6. 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	6.15%	6.15%
Net Pension Liability	\$ 3,813,124	\$ 2,521,504
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 2,690,683	\$ 1,672,408
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,761,056	\$ 978,316

7. Pension Plan Fiduciary Net Position

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

19. Joint Ventures (Joint Powers Agreements)

a. Central San Joaquin Valley Risk Management Authority

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

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

The CSJVRMA is a consortium of one hundred sixty (160) public entities in California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three times per year, consisting of one representative appointed by each member. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial position and results of operations for the CSJVRMA as of June 30, 2018 is presented below:

Total Assets	\$ 110,234,633
Total Liabilities	92,209,231
Members' Equity	<u>\$ 18,025,402</u>
Total Revenues for Year	\$ 47,652,408
Total Expenses for Year	47,601,577
Excess of Income Over (Under) Expenses	<u>\$ 50,831</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, 2018 the City reported \$64,705 as Deposits with Others in the Governmental Funds related to the general liability and workers' compensation programs.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

b. Municipalities, Colleges, Schools Insurance Group

The Municipalities, Colleges, Schools Insurance Group (MCSIG) is a public risk sharing pool established pursuant to a Joint Powers Agreement effective November 22, 1982, for the purpose of providing a program of employee health coverage to its member organizations. MCSIG includes member school districts, colleges, municipalities, and special districts and covers more than 8,000 employees plus their dependents in the medical, dental and vision programs. A member may voluntarily withdraw from MCSIG after having completed three consecutive years as a member. Public Agency Coalition Enterprise (PACE) is an at large district that is a member organization of MCSIG. The City of Fowler has an agreement with PACE and hence is considered a member of MCSIG. The relationship between the City and MCSIG is such that MCSIG is not a component unit of the City for financial reporting purposes. The financial position and results of operations for MCSIG as of June 30, 2018 is presented below:

Total Assets & Deferred Outflows	\$ 18,652,824
Total Liabilities & Deferred Inflows	<u>21,788,727</u>
Member's Equity	<u>\$ (3,135,903)</u>
 Total Revenues for Year	 \$ 114,541,523
Total Expenses for Year	<u>121,315,312</u>
Excess of Income Over (Under) Expenses	<u>\$ (6,773,789)</u>

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

20. 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.

21. 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.

22. Subsequent Events

The City is in the process of building a new fire station. As of December 2018, the City has an approved certificate of participation through the United States Department of Agriculture for \$1,316,950 in proceeds to provide the cash flow for the construction of the fire station. The ground-breaking ceremony took place on January 22, 2019. As of the issuance of these financial statements, the building is 99% complete.

Effective April 1, 2019, the City implemented a 1% District Sales Tax. Proceeds from said taxes are to be applied to the CalPERS Unfunded Accrued Liability, new Police Department Building and equipment, and Road Maintenance.

Related to COVID-19 impact on City operations, the City has closed its office to the public and contracted with an online bill pay program to handle utility payments. Other business is by appointment only. Certain grants to help offset COVID-19 related expenses are still being determined by the Federal and State government.

23. Litigation

The City is involved in litigation however, the outcome of the litigation is unknown at the time of the issuance of these financial statements.

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Required Supplementary Information

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CITY OF FOWLER

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 2,339,884	\$ 2,339,884	\$ 2,269,712	\$ (70,172)
License and Permits	646,435	646,435	1,324,124	677,689
Fines and Penalties	4,450	4,450	8,606	4,156
Revenue from Use of Money and Property	6,600	6,600	19,864	13,264
Charges for Service	349,056	349,056	419,183	70,127
Intergovernmental Revenue	476,575	476,575	54,445	(422,130)
Miscellaneous	87,000	87,000	27,628	(59,372)
Total revenues	<u>3,910,000</u>	<u>3,910,000</u>	<u>4,123,562</u>	<u>213,562</u>
Expenditures:				
Current:				
General Government	1,003,472	1,003,472	995,388	8,084
Public Safety	1,800,682	1,800,682	1,704,336	96,346
Public Works	448,850	448,850	405,923	42,927
Community Development	221,551	221,551	355,692	(134,141)
Culture and Recreation	384,003	384,003	278,746	105,257
Capital Outlay	365,000	365,000	19,586	345,414
Total Expenditures	<u>4,223,558</u>	<u>4,223,558</u>	<u>3,759,671</u>	<u>463,887</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(313,558)</u>	<u>(313,558)</u>	<u>363,891</u>	<u>677,449</u>
Other Financing Sources (Uses):				
Operating Transfers In	373,000	373,000	--	(373,000)
Operating Transfers Out	(41,711)	(41,711)	(33,038)	(8,673)
Total Other Financing Sources (Uses)	<u>331,289</u>	<u>331,289</u>	<u>(33,038)</u>	<u>364,327</u>
Net Change in Fund Balances	17,731	17,731	330,853	313,122
Fund Balances - Beginning	<u>2,049,435</u>	<u>2,049,435</u>	<u>2,049,435</u>	<u>--</u>
Fund Balances - Ending	<u>\$ 2,067,166</u>	<u>\$ 2,067,166</u>	<u>\$ 2,380,288</u>	<u>\$ 313,122</u>

CITY OF FOWLER
UTILITY USERS TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 380,000	\$ 380,000	\$ 424,838	\$ 44,838
Revenue from Use of Money and Property	500	500	--	(500)
Total revenues	<u>380,500</u>	<u>380,500</u>	<u>424,838</u>	<u>44,338</u>
Expenditures:				
Current:				
Public Safety	--	--	26,108	(26,108)
Culture and Recreation	29,000	29,000	29,000	--
Capital Outlay	200,000	200,000	28,426	171,574
Debt Service				
Principal	54,000	54,000	54,000	--
Total Expenditures	<u>283,000</u>	<u>283,000</u>	<u>137,534</u>	<u>145,466</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>97,500</u>	<u>97,500</u>	<u>287,304</u>	<u>189,804</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	--	1,038	1,038
Operating Transfers Out	(609,500)	(609,500)	(459,500)	(150,000)
Total Other Financing Sources (Uses)	<u>(609,500)</u>	<u>(609,500)</u>	<u>(458,462)</u>	<u>(151,038)</u>
Net Change in Fund Balances	(512,000)	(512,000)	(171,158)	340,842
Fund Balances - Beginning	1,000,591	1,000,591	1,000,591	--
Fund Balances - Ending	<u>\$ 488,591</u>	<u>\$ 488,591</u>	<u>\$ 829,433</u>	<u>\$ 340,842</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**	Fiscal Year 2018**
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Proportion of the net pension liability	0.02848%	0.03004%	0.06907%	0.06826%
Proportionate share of the net pension liability	\$ 1,772,373	\$ 2,061,992	\$ 2,399,488	\$ 2,690,693
Covered-employee payroll	\$ 869,779	\$ 999,209	\$ 1,028,213	\$ 755,110
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.77%	206.36%	233.36%	356.33%
Plan's fiduciary net position	\$ 4,867,709	\$ 4,792,404	\$ 4,874,055	\$ 5,469,748
Plan fiduciary net position as percentage of total pension liability	73.31%	69.92%	67.01%	67.03%

	Fiscal Year 2015**	Fiscal Year 2016**	Fiscal Year 2017**	Fiscal Year 2018**
	Safety Plan	Safety Plan	Safety Plan	Safety Plan
Proportion of the net pension liability	0.01909%	0.01711%	0.02812%	0.02799%
Proportionate share of the net pension liability	\$ 1,187,720	\$ 1,174,467	\$ 1,456,519	\$ 1,672,408
Covered-employee payroll	\$ 688,280	\$ 733,381	\$ 755,585	\$ 839,682
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.56%	160.14%	192.77%	199.17%
Plan's fiduciary net position	\$ 3,566,435	\$ 3,698,975	\$ 3,790,065	\$ 4,396,149
Plan fiduciary net position as percentage of total pension liability	75.02%	75.90%	72.24%	72.44%

*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	Fiscal Year 2018
	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
Actuarially required contribution	\$ 193,896	\$ 250,456	\$ 254,207	\$ 248,950
Contributions in relation to the actuarially determined contribution	(193,896)	(250,456)	(254,207)	(248,950)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 869,779	\$ 999,209	\$ 1,028,213	\$ 755,110
Contributions as a percentage of covered- employee payroll	22.29%	21.96%	24.74%	32.97%

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
	Safety Plan	Safety Plan	Safety Plan	Safety Plan
Actuarially required contribution	\$ 188,701	\$ 184,874	\$ 199,694	\$ 205,454
Contributions in relation to the actuarially determined contribution	(188,701)	(184,874)	(199,694)	(205,454)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 688,280	\$ 733,381	\$ 755,585	\$ 839,682
Contributions as a percentage of covered- employee payroll	27.42%	25.47%	26.43%	24.47%

*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.

Other Independent 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, 2018, 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 September 25, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

City of Fowler's Response to Findings

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

Purpose of this Report

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

*Borchardt, Corona, Faeth
& Gyakavian*

Fresno, California
September 25, 2020

Findings and Recommendations Section

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CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results

(1) Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☒ Yes ☐ No

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

☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

(2) Federal Awards

Not Applicable

Internal control over major programs:

Material weakness(es) identified?

Not Applicable

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

Not Applicable

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

Not Applicable

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

Not Applicable

Identification of major programs:

Not Applicable

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

Not Applicable

Auditee qualified as low-risk auditee?

Not Applicable

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Financial Statement Findings

Finding Identification

2018 - 001 *Internal Controls – Water Consumer 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

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

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

Effect

The water consumer 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 has not appropriately applied the water deposit policy as set by the City ordinance in administering water deposits at the City. There is also a lack of periodic review of the water deposit balance for the purposes of ensuring the balance on the books is accurately adjusted for changes and to maintain a supporting audit trail.

Questioned Costs

Not able to determine.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Financial Statement Findings

Finding Identification

2018 - 002 *Internal Controls – Water Consumer Overpayments and Accounts Receivable*

Criteria or Specific Requirement

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

Condition

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

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

Effect

Water service overpayments and account receivable balances may not be properly stated as of June 30, 2018.

Cause

City personnel has not implemented a periodic review of water consumer balances for the purposes of ensuring the balances are accurately adjusted for changes and for purposes of maintaining a supporting audit trail for balances stated on the City's books.

Questioned Costs

Not able to determine

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Financial Statement Findings

Finding Identification

2018 - 003 *Internal Controls – Closing Books*

Criteria or Specific Requirement

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

Condition

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

Effect

When a proper closing process is not followed at the City or the accounting process does identify misstatements to then record corrections promptly, City staff and constituents may be relying on faulty financial data in making real time decisions or external reporting. This can lead to a potential loss of revenues at the city, a delay in closing the books at year end and a delay in having the City's annual audit report issued.

Cause

It is understating the City has experienced significant turn over in management and finance directors during the time surrounding the 2017/18 fiscal year and the staff expressed not having enough time to correct misstatements encountered during our audit or enough time to implement more appropriate internal control processes to address the proper accounting.

Questioned Costs

None

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF FOWLER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

Financial Statement Findings

Finding Identification

2018 - 001

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Review and Implement Procedures

Proposed Completion Date: Fiscal year 2021

Finding Identification

2018 - 002

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Review and Implement Procedures

Proposed Completion Date: Fiscal year 2021

Finding Identification

2018 - 003

Name of contact person: Randy Uyeda, Finance Director

Corrective Action: Review and Implement Procedures

Proposed Completion Date: Fiscal year 2021

CITY OF FOWLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

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 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.

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

Partially implemented, noted as a management letter recommendation in current year.

2. Finding/Recommendation

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.

It was recommended that the 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.

Current Status

Not implemented

3. Finding/Recommendation

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.

It was recommended that the City implement 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.

Current Status

Not implemented

4. Finding/Recommendation

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.

It was recommended that 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.

Current Status

Not implemented

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