

**CITY OF FOWLER
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021**

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CALIFORNIA
FINANCIAL STATEMENTS
JUNE 30, 2021**

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CALIFORNIA
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JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Fowler
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 the City of Fowler, California (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of Net Pension Liability on page 50, Schedule of Contributions on page 51, and the budgetary comparison information on pages 47-49 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed above is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "M. J. [unclear]", written in a cursive style.

September 15, 2022

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CITY OF FOWLER
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 13,701,763	\$ 3,938,916	\$ 17,640,679
Restricted cash and investments with fiscal agents	453,272	-	453,272
Receivables (net of allowance for uncollectibles)	270,598	265,870	536,468
Intergovernmental receivable	1,900,813	-	1,900,813
Community loans receivable	283,642	-	283,642
Settlement receivable	-	1,800,000	1,800,000
Internal balances	60,000	(60,000)	-
Deposits with others	190,808	-	190,808
Advances to Successor Agency	234,000	-	234,000
Capital assets, not being depreciated	10,210,842	260,969	10,471,811
Capital assets, net of accumulated depreciation	<u>12,495,754</u>	<u>3,643,748</u>	<u>16,139,502</u>
Total assets	<u>39,801,492</u>	<u>9,849,503</u>	<u>49,650,995</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources from pensions	<u>910,720</u>	<u>307,474</u>	<u>1,218,194</u>
LIABILITIES			
Accounts payable	500,412	85,133	585,545
Retainage payable	117,490	-	117,490
Deposits payable	9,303	130,861	140,164
Unearned revenue	29,213	-	29,213
Accrued interest payable	30,329	21,780	52,109
Noncurrent liabilities:			
Due within one year	547,376	60,643	608,019
Due in more than one year	2,247,547	1,454,600	3,702,147
Net pension liability	<u>3,596,855</u>	<u>1,284,264</u>	<u>4,881,119</u>
Total liabilities	<u>7,078,525</u>	<u>3,037,281</u>	<u>10,115,806</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>32,411</u>	<u>34,891</u>	<u>67,302</u>
NET POSITION			
Net investment in capital assets	20,030,049	2,408,594	22,438,643
Restricted for:			
Public safety	684,739	-	684,739
Public works	4,088,345	-	4,088,345
Community development	412,161	-	412,161
Culture and recreation	542,173	-	542,173
Long-term debt	787,712	-	787,712
Unrestricted	<u>7,056,097</u>	<u>4,676,211</u>	<u>11,732,308</u>
Total net position	<u>\$ 33,601,276</u>	<u>\$ 7,084,805</u>	<u>\$ 40,686,081</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Government activities:							
General government	\$ 1,634,913	\$ 50,836	\$ 221,105	\$ -	\$ (1,362,972)	\$ -	\$ (1,362,972)
Public safety	2,088,499	156,159	174,845	-	(1,757,495)	-	(1,757,495)
Public works	1,012,688	518,014	143,777	715,679	364,782	-	364,782
Community development	908,330	1,067,902	231,384	-	390,956	-	390,956
Culture and recreation	208,150	186,419	37	-	(21,694)	-	(21,694)
Interest on long-term debt	177,124	-	-	-	(177,124)	-	(177,124)
Total governmental activities	<u>6,029,704</u>	<u>1,979,330</u>	<u>771,148</u>	<u>715,679</u>	<u>(2,563,547)</u>	<u>-</u>	<u>(2,563,547)</u>
Business-type activities:							
Water	<u>3,064,321</u>	<u>1,798,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,266,041)</u>	<u>(1,266,041)</u>
Total business-type activities	<u>3,064,321</u>	<u>1,798,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,266,041)</u>	<u>(1,266,041)</u>
Total	<u>\$ 9,094,025</u>	<u>\$ 3,777,610</u>	<u>\$ 771,148</u>	<u>\$ 715,679</u>	<u>(2,563,547)</u>	<u>(1,266,041)</u>	<u>(3,829,588)</u>
General revenues and transfers							
General revenues:							
Property taxes					1,275,794	-	1,275,794
Sales taxes					3,160,574	-	3,160,574
Franchise taxes					408,151	-	408,151
Utility users taxes					507,556	-	507,556
Other taxes					140,349	-	140,349
Payments in lieu of taxes					791,623	-	791,623
Rental income					7,539	-	7,539
Unrestricted investment earnings					110,365	1,143	111,508
Gain on sale of capital assets					1,050	-	1,050
Miscellaneous					79,352	36,158	115,510
Settlement revenue					-	5,000,000	5,000,000
Total general revenues and transfers					<u>6,482,353</u>	<u>5,037,301</u>	<u>11,519,654</u>
Change in net position					3,918,806	3,771,260	7,690,066
Net position - beginning					<u>29,682,470</u>	<u>3,313,545</u>	<u>32,996,015</u>
Net position - ending					<u>\$ 33,601,276</u>	<u>\$ 7,084,805</u>	<u>\$ 40,686,081</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FOWLER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds						Total Governmental Funds
	General Fund	Local Transportation Fund - Article 8	Impact Fees Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS							
Cash and investments	\$ 7,867,931	\$ 44,621	\$ 3,609,097	\$ 271,899	\$ -	\$ 1,908,215	\$ 13,701,763
Cash with fiscal agents	-	-	-	453,272	-	-	453,272
Receivables (net of allowance for uncollectibles)	270,598	-	-	-	-	-	270,598
Intergovernmental receivable	795,519	525,976	-	2,541	425,309	151,468	1,900,813
Community loans receivable	-	-	-	-	-	283,642	283,642
Due from other funds	173,455	-	-	-	-	-	173,455
Deposits with others	190,808	-	-	-	-	-	190,808
Advances to other funds	-	-	-	840,785	-	-	840,785
Advances to Successor Agency	-	-	-	234,000	-	-	234,000
Total assets	\$ 9,298,311	\$ 570,597	\$ 3,609,097	\$ 1,802,497	\$ 425,309	\$ 2,343,325	\$ 18,049,136
LIABILITIES							
Accounts payable	\$ 186,021	\$ 5,163	\$ 1,940	\$ -	\$ 254,946	\$ 52,342	\$ 500,412
Retainage payable	-	-	-	-	117,490	-	117,490
Deposits	9,303	-	-	-	-	-	9,303
Unearned revenue	29,213	-	-	-	-	-	29,213
Due to other funds	-	-	-	-	173,455	-	173,455
Advances from other funds	-	-	-	780,785	-	-	780,785
Total liabilities	224,537	5,163	1,940	780,785	545,891	52,342	1,610,658
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	107,107	525,976	-	-	-	14,400	647,483
Total deferred inflows of resources	107,107	525,976	-	-	-	14,400	647,483
FUND BALANCES (DEFICITS)							
Nonspendable:							
Notes receivable	-	-	-	-	-	283,642	283,642
Long-term interfund advances	-	-	-	234,000	-	-	234,000
Restricted:							
Public safety	-	-	684,739	-	-	-	684,739
Public works	-	39,458	2,468,107	-	-	1,580,780	4,088,345
Community development	-	-	-	-	-	412,161	412,161
Culture and recreation	-	-	542,173	-	-	-	542,173
Long-term debt	-	-	-	787,712	-	-	787,712
Unassigned	8,966,667	-	(87,862)	-	(120,582)	-	8,758,223
Total fund balances (deficits)	8,966,667	39,458	3,607,157	1,021,712	(120,582)	2,276,583	15,790,995
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,298,311	\$ 570,597	\$ 3,609,097	\$ 1,802,497	\$ 425,309	\$ 2,343,325	\$ 18,049,136

The notes to the basic financial statements are an integral part of this statement.

CITY OF FOWLER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds balance sheet	\$ 15,790,995
Capital assets of \$33,511,809, net of accumulated depreciation of \$10,805,213, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	22,706,596
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consists of:	
Bonds, notes and loans payable	(2,676,547)
Net pension liability	(3,596,855)
	(6,273,402)
Pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:	
Deferred outflows of resources	910,720
Deferred inflows of resources	(32,411)
	878,309
Compensated absences are not due and payable in the current period, and therefore are not reported in the funds.	(118,376)
Certain assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	647,483
Interest payable on long-term debt does not require the use of current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(30,329)
Net position of governmental activities	<u>\$ 33,601,276</u>

The notes to the basic financial statements 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, 2021

	Special Revenue Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Local Transportation Fund - Article 8	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
REVENUES							
Property taxes	\$ 1,103,459	\$ -	\$ -	\$ 210,170	\$ -	\$ -	\$ 1,313,629
Sales taxes	3,160,574	-	-	-	-	-	3,160,574
Franchise taxes	408,151	-	-	-	-	-	408,151
Utility users taxes	507,556	-	-	-	-	-	507,556
Other taxes	139,545	-	-	-	-	-	139,545
Payments in lieu of taxes	791,623	-	-	-	-	-	791,623
Licenses and permits	878,141	-	-	-	-	-	878,141
Intergovernmental revenue	412,253	-	-	-	197,643	547,777	1,157,673
Fines and penalties	9,153	-	-	-	-	-	9,153
Use of money and property	14,652	-	-	102,899	198	231,539	349,288
Charges for services	223,613	-	868,423	-	-	-	1,092,036
Miscellaneous	77,989	286	-	-	1,003	1,236	80,514
Total revenues	<u>7,726,709</u>	<u>286</u>	<u>868,423</u>	<u>313,069</u>	<u>198,844</u>	<u>780,552</u>	<u>9,887,883</u>
EXPENDITURES							
Current:							
General governmental	1,424,801	-	-	5,102	-	-	1,429,903
Public safety	1,877,783	-	-	-	-	-	1,877,783
Public works	719,219	91,936	94,522	-	2,235	66,790	974,702
Community development	762,181	-	-	-	-	261	762,442
Culture and recreation	206,704	-	-	-	-	-	206,704
Capital outlay	161,573	-	-	-	539,214	569,594	1,270,381
Debt service:							
Principal	20,000	17,255	-	330,000	-	-	367,255
Interest and fiscal charges	19,390	-	-	152,627	-	-	172,017
Total expenditures	<u>5,191,651</u>	<u>109,191</u>	<u>94,522</u>	<u>487,729</u>	<u>541,449</u>	<u>636,645</u>	<u>7,061,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,535,058</u>	<u>(108,905)</u>	<u>773,901</u>	<u>(174,660)</u>	<u>(342,605)</u>	<u>143,907</u>	<u>2,826,696</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	118,000	-	-	118,000
Operating transfers out	(19,200)	-	-	-	-	(98,800)	(118,000)
Proceeds from long-term debt	-	-	-	-	224,861	-	224,861
Sale of general capital assets	1,050	-	-	-	-	-	1,050
Total other financing sources (uses)	<u>(18,150)</u>	<u>-</u>	<u>-</u>	<u>118,000</u>	<u>224,861</u>	<u>(98,800)</u>	<u>225,911</u>
Net change in fund balances	2,516,908	(108,905)	773,901	(56,660)	(117,744)	45,107	3,052,607
Fund balances (deficits) - beginning	<u>6,449,759</u>	<u>148,363</u>	<u>2,833,256</u>	<u>1,078,372</u>	<u>(2,838)</u>	<u>2,231,476</u>	<u>12,738,388</u>
Fund balances (deficits) - ending	<u>\$ 8,966,667</u>	<u>\$ 39,458</u>	<u>\$ 3,607,157</u>	<u>\$ 1,021,712</u>	<u>\$ (120,582)</u>	<u>\$ 2,276,583</u>	<u>\$ 15,790,995</u>

The notes to the basic financial statements are an integral part of this statement.

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, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		\$ 3,052,607
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		904,654
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		59,577
The net change in unavailable revenue as a result of the forgiveness of housing loans are recognized in the statement of activities.		(130,638)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of long-term debt	(224,861)	
Repayment of the principal of long-term debt	<u>367,255</u>	
		142,394
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Accrued interest on long-term debt	(5)	
Compensated absences	14,116	
Changes in net pension liabilities and related deferred outflows and inflows of resources	<u>(123,899)</u>	
		<u>(109,788)</u>
Change in net position of governmental activities		<u>\$ 3,918,806</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021**

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 3,938,916
Accounts receivable, net of allowance	265,870
Settlement receivable	<u>1,800,000</u>
Total current assets	<u>6,004,786</u>
Noncurrent assets:	
Capital assets, not being depreciated	260,969
Capital assets, net of depreciation	<u>3,643,748</u>
Total noncurrent assets	<u>3,904,717</u>
Total assets	<u>9,909,503</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	<u>307,474</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	85,133
Deposits	130,861
Interest payable	21,780
Advances from other funds	60,000
Compensated absences	19,120
Bonds payable	38,900
Notes payable	<u>2,623</u>
Total current liabilities	<u>358,417</u>
Noncurrent liabilities:	
Bonds payable	1,454,600
Net pension liability	<u>1,284,264</u>
Total noncurrent liabilities	<u>2,738,864</u>
Total liabilities	<u>3,097,281</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>34,891</u>
 NET POSITION	
Net investment in capital assets	2,408,594
Unrestricted	<u>4,676,211</u>
Total net position	<u>\$ 7,084,805</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 1,798,280
Miscellaneous	<u>36,158</u>
Total operating revenues	<u>1,834,438</u>
Operating expenses:	
Personnel costs	642,473
Materials and supplies	50,245
Contract services	213,685
Legal fees	1,536,421
Utilities	254,825
Insurance	62,638
Repairs and maintenance	40,957
Rent and leases	12,703
Depreciation	180,190
Bad debt expense	<u>721</u>
Total operating expenses	<u>2,994,858</u>
Operating income/(loss)	<u>(1,160,420)</u>
Non-operating revenues (expenses):	
Investment earnings	1,143
Interest expense	(69,463)
Settlement revenue	<u>5,000,000</u>
Total non-operating revenues (expenses)	<u>4,931,680</u>
Change in net position	3,771,260
Total net position - beginning	<u>3,313,545</u>
Total net position - ending	<u>\$ 7,084,805</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,731,701
Payments to suppliers and service providers	(2,167,613)
Payments to employees for salaries and benefits	(660,882)
Other receipts	<u>36,158</u>
Net cash provided by (used for) operating activities	<u>(1,060,636)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans (to) from other funds	(20,000)
Settlement revenue	<u>3,200,000</u>
Net cash provided by (used for) noncapital financing activities	<u>3,180,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(37,300)
Interest paid on capital debt	(70,007)
Acquisition and construction of capital assets	<u>(81,662)</u>
Net cash provided by (used for) capital and related financing activities	<u>(188,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,143</u>
Net cash provided by (used for) investing activities	<u>1,143</u>
Increase (decrease) in cash and investments	1,931,538
Cash and investments - beginning	<u>2,007,378</u>
Cash and investments - ending	<u><u>\$ 3,938,916</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

	<u>Water Fund</u>
Operating income (loss)	\$ (1,160,420)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	180,190
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net of allowance	(79,518)
(Increase) decrease in deferred outflows of resources	(2,726)
Increase (decrease) in accounts payable	4,582
Increase (decrease) in deposits	12,939
Increase (decrease) in compensated absences	(24,369)
Increase (decrease) in deferred inflows of resources	(55,120)
Increase (decrease) in net pension liability	<u>63,806</u>
Net cash provided by (used for) operating activities	<u>\$ (1,060,636)</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021**

	Redevelopment Successor Agency Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and investments	\$ <u>88,464</u>
Total assets	<u>88,464</u>
LIABILITIES	
Advances from the Fowler Public Financing Authority	<u>234,000</u>
Total liabilities	<u>234,000</u>
NET POSITION (DEFICIT)	
Restricted	<u>(145,536)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (145,536)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FOWLER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Redevelopment Successor Agency Private Purpose <u>Trust Fund</u>
ADDITIONS	
Tax revenue	\$ <u>77,101</u>
Total additions	<u>77,101</u>
DEDUCTIONS	
Personnel costs	11,743
Professional services	3,057
Interest expense	<u>26,600</u>
Total deductions	<u>41,400</u>
Change in net position	35,701
Net position (deficit) - beginning	<u>(181,237)</u>
Net position (deficit) - ending	<u>\$ (145,536)</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 accompanying basic financial statements include the financial activities of the City, the primary government and its component unit, the Fowler Public Financing Authority. Financial information for the City and its component unit are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate sessions, serve as the governing board of the component unit. This entity is presented on a blended basis.

The **Fowler Public Financing Authority** (the Financing Authority) is a joint exercise of powers agency duly organized and existing under the laws of the State of California. The Financing Authority's specific and primary purpose is to provide financial assistance to the City 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 the entire governing body (the Trustees). Any issuance of debt would require a two-thirds approval of the City Council.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental audits. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component unit, the Financing Authority. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, interfund note receivable/interfund long-term debt, and transfers in/transfers out.

Fund Financial Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which a party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of the fund type's total and five percent of the City's funds. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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 **Local Transportation Fund – Article 8** receives its funding from State Local Transportation Funds which are administered and disbursed by the Fresno Council of Governments. This program is commonly referred to as LTF Article 8 because of its identifying section in the State Public Utilities Code. Article 8 funds are restricted to the safety, maintenance and improvement of streets and alleys through the community.

The **Impact Fees Fund** is used to account for fees collected from developers for new development and used for future impact of capital needs within the City.

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

The **Capital Projects Fund** is used to account for financial resources used for the acquisition or construction of capital facilities.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major enterprise fund and nonmajor funds aggregated.

The City has one major enterprise fund, the **Water Fund**, which is used to account for the activities of the City's water production and distribution operations. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City's fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The **Fowler Redevelopment Successor Agency Private Purpose Trust Fund** is used to account for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

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 financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues, except for grants, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions of capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirement, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

The proprietary and private-purpose trust fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Cash Equivalents

For the 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.

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. This pool utilizes investments authorized by the Government Code and is further defined by the City's investment policy that is approved by the City Council. Authorized investments include deposits in the State of California administered Local Agency Investment Fund (LAIF), commercial paper, money market mutual funds, and federally sponsored credit agency securities. All investments are stated at fair value.

Interest income earned as a result of pooling is distributed to the appropriate funds based on month end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Restricted Assets

Certain proceeds of general obligation debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with fiscal agents" is used to report resources set aside for potential deficiencies in the repayment ability of the City.

Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, reimbursements or transfers. Loans reported as receivables and payables, as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the fund financial statements and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, 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 benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Receivables

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

Community Loans Receivable

Special Revenue Fund expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable with an offset to an unavailable revenue account.

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, 1 st installment, February 1 st , 2 nd installment
Delinquent Dates	December 10 th , 1 st installment, April 10 th , 2 nd installment

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year-end.

The City accrues as receivable all property taxes received during the first 60 days of the new fiscal year.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Capital Assets

The City's assets are categorized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	10-50 years
Improvements	5-10 years
Machinery and equipment	3-25 years
Infrastructure	20-40 years

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. 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, park and recreation improvements, 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.

Interest Payable

In the government-wide financial statements, interest payable for long-term debt is recognized as the liability is incurred for the governmental fund-types and proprietary-fund types.

In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

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 ⅔ hours per month for full-time regular employees with less than 5 years' service to a maximum of 12 ⅓ 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 with due consideration for the employee's wishes and needs of the service provided. At June 30, 2021, the amount of accrued vacation pay was \$118,376 for the General Fund and \$19,120 for the Water Fund.

Unearned Revenue

Unearned revenue is that for which asset recognition criteria have been met, but for which asset revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred) as unearned revenue.

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Long-Term Debt

In the government-wide financial statements and enterprise fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discount.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 10 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability of the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Fowler's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Notes 9 and 10 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Use of Estimates

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

Classification of Net Position

In the government-wide financial statements and proprietary fund statements, net position is classified in the following categories:

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents the net position of the City, which is not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Fund Balances (Continued)

Unassigned - This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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.

Encumbrances

The City does not utilize encumbrance accounting.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures over Appropriations

As of June 30, 2021, expenditures exceeded appropriations in individual funds as follows:

Governmental Funds	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:			
General Fund			
Current:			
General governmental	\$ 1,424,801	\$ 1,096,830	\$ (327,971)
Public works	\$ 719,219	\$ 647,414	\$ (71,805)
Community development	\$ 762,181	\$ 412,494	\$ (349,687)
Culture and recreation	\$ 206,704	\$ 197,452	\$ (9,252)
Debt service:			
Principal	\$ 20,000	\$ -	\$ (20,000)
Interest and fiscal charges	\$ 19,390	\$ -	\$ (19,390)
Local Transportation Fund - Article 8 Special Revenue Fund			
Debt service:			
Principal	\$ 17,255	\$ -	\$ (17,255)
Impact Fees Special Revenue Fund			
Current:			
Public works	\$ 94,522	\$ 21,000	\$ (73,522)

C. Deficit Fund Balance

As of June 30, 2021, the Capital Projects Fund has a deficit fund balance of \$120,582, the City expects to eliminate this deficit through future revenues and/or transfers from the General Fund.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 17,640,679
Restricted cash and investments with fiscal agents	453,272
Fiduciary Funds:	
Cash and investments	88,464
Total cash and investments	<u>\$ 18,182,415</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 700
Deposits with financial institutions	16,918,721
Investments	1,262,994
Total cash and investments	<u>\$ 18,182,415</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investments policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debts proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio or Amount	Maximum Investment of One Issuer or Amount
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
National certificates of deposit	5 years	30%	Legal Limit
Repurchase agreements	1 year	None	None
Medium-term notes	5 years	30%	None
Mutual accounts	N/A	20%	10%
Money market accounts	N/A	20%	10%
Local agency investment fund (LAIF)	N/A	None	None

B. 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. One of the ways that the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool	\$ 809,723	\$ 809,723	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Commercial Paper	324,685	324,685	-	-	-
Money Market	12,286	12,286	-	-	-
Federal Agency Coupon Securities	116,300	116,300	-	-	-
Total	\$ 1,262,994	\$ 1,262,994	\$ -	\$ -	\$ -

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Ratings as of Year-End			
		AAAm	AA+	A	Not Rated
State Investment Pool	\$ 809,723	\$ -	\$ -	\$ -	\$ 809,723
Held by Bond Trustee:					
Commercial Paper	324,685	-	-	-	324,685
Money Market	12,286	-	-	-	12,286
Federal Agency Coupon Securities	116,300	-	116,300	-	-
Total	<u>\$ 1,262,994</u>	<u>\$ -</u>	<u>\$ 116,300</u>	<u>\$ -</u>	<u>\$ 1,146,694</u>

D. Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. As of June 30, 2021, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total pooled investment.

E. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g., broker-dealer) to a transaction, a city 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 deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, the carrying amount of the City's bank deposits was \$16,918,721, and the respective bank balances totaled \$17,074,156, the total amount of which was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not in the name of the City.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk (Continued)

In addition, as of June 30, 2021, none of the City's investments with financial institutions were held in uncollateralized accounts.

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 (such as LAIF).

F. Local Agency Investment Fund

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

G. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2021:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Commercial paper	\$ 324,685	\$ -	\$ 324,685	\$ -
	324,685	\$ -	\$ 324,685	\$ -
Investments not subject to fair value hierarchy:				
State Investment Pool	809,723			
Held by Bond Trustee:				
Money Market Funds	12,286			
Federal Agency Coupon Securities	116,300			
	<u>\$ 1,262,994</u>			

In determining fair value, the City's custodians use various methods including market and income approaches. Based on these approaches, the City's custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The City's custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the City's investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 – quoted prices in active markets for identical investments, Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 – significant unobservable inputs (including the City's own assumptions in determining the fair value of investments).

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Fair Value Hierarchy (Continued)

According to GASB Statement No. 72, money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less should be measured at amortized cost, and as such, are not shown in the fair value hierarchy. Additionally, the City's LAIF is not presented, as the amount available for withdrawal is based on amortized cost.

NOTE 4 – FORGIVABLE LOANS

The City administers a housing rehabilitation loan program. Under this program, individuals with incomes below certain levels are eligible to receive forgivable loans for rehabilitation work on their homes. Forgivable loans are not required to be paid back unless the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time the full amount of the deferred loan is due. All loans have been forgiven as of June 30, 2021.

NOTE 5 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2021, is as follows:

A. Current Interfund Receivables/Payables

Current interfund balances are generally short-term loans to cover temporary cash deficits in various funds and are expected to be repaid shortly after the end of the fiscal year. The City's interfund receivables and payables consisted of the following at June 30, 2021:

	Due from Other Funds	Due to Other Funds
Governmental Funds		
Major Funds:		
General Fund	\$ 173,455	\$ -
Capital Projects Fund	-	173,455
Total	<u>\$ 173,455</u>	<u>\$ 173,455</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – INTERFUND ACTIVITIES (Continued)

B. Long-Term Interfund Advances

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City's long-term interfund advances consisted of the following at June 30, 2021:

	Advances to Other Funds	Advances from Other Funds
Governmental Fund		
Major Fund:		
Debt Service Fund	\$ 294,000	\$ -
Enterprise Fund		
Water Fund	-	60,000
Fiduciary Fund		
Successor Agency Private Purpose Trust Fund	-	234,000
Total	<u>\$ 294,000</u>	<u>\$ 294,000</u>

The Fowler Public Financing Authority (PFA) issued Refunding Revenue Bonds in the amount of \$4,435,000 in August 2012. The Fowler PFA fund loaned \$150,000 to the Water Fund and \$457,000 to the Fowler Successor Agency as part of the bond allocation. 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 final payment of the loan is scheduled for September 15, 2023. The loan balances are \$60,000 for the Water Fund and \$234,000 for the Successor Agency as of June 30, 2021.

C. Transfers

Transfers for the year ended June 30, 2021 are summarized as follows:

	Transfers	
	In	Out
Governmental Funds		
Major Funds:		
General Fund	\$ -	\$ 19,200
Debt Service Fund	118,000	-
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax	-	98,800
Total	<u>\$ 118,000</u>	<u>\$ 118,000</u>

The General Fund and Gas Tax funds transferred \$19,200 and \$98,800, respectively, to the Debt Service Fund to cover debt service payments on the 2010 Refunding Revenue Bond local obligations.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – COMMUNITY LOANS RECEIVABLE

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants (CDBG) the from 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 \$283,642 and is presented on the City's Statement of Net Position financial statements as noted below:

	Community Loans Receivable
2% loan to La Quinta due in monthly installments of \$2,583 including principal and interest.	\$ 233,802
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>44,961</u>
Total CDBG Loans Receivable	<u>\$ 283,642</u>

*Loans in arrears as of June 30, 2021.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – CAPITAL ASSETS

A. Governmental Activities

Capital assets activity of the governmental activities for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,132,979	\$ -	\$ -	\$ 1,132,979
Right of ways	7,447,189	-	-	7,447,189
Construction in progress	2,913,689	1,168,845	(2,451,860)	1,630,674
 Total capital assets not being depreciated	 11,493,857	 1,168,845	 (2,451,860)	 10,210,842
Capital assets being depreciated:				
Buildings and improvements	3,054,001	2,451,860	-	5,505,861
Machinery and equipment	2,305,549	93,450	-	2,398,999
Infrastructure	15,396,107	-	-	15,396,107
 Total capital assets being depreciated	 20,755,657	 2,545,310	 -	 23,300,967
Less accumulated depreciation for:				
Buildings and improvements	(1,208,880)	(83,135)	-	(1,292,015)
Machinery and equipment	(2,085,427)	(67,913)	-	(2,153,340)
Infrastructure	(7,153,265)	(206,593)	-	(7,359,858)
 Total accumulated depreciation, net	 (10,447,572)	 (357,641)	 -	 (10,805,213)
 Total capital assets being depreciated, net	 10,308,085	 2,187,669	 -	 12,495,754
 Governmental activities capital assets, net	 \$ 21,801,942	 \$ 3,356,514	 \$ (2,451,860)	 \$ 22,706,596

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 228,027
Public safety	43,983
Public works	65,064
Community development	2,818
Parks and recreation	17,749
 Total depreciation expense - governmental activities	 <u>\$ 357,641</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – CAPITAL ASSETS (Continued)

B. Business-Type Activities

Capital assets activity of the business-type activities for the year ending June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 255,392	\$ -	\$ -	\$ 255,392
Construction in progress	<u>5,577</u>	<u>-</u>	<u>-</u>	<u>5,577</u>
Total capital assets not being depreciated	<u>260,969</u>	<u>-</u>	<u>-</u>	<u>260,969</u>
Capital assets being depreciated:				
Buildings and improvements	12,186	-	-	12,186
Machinery and equipment	526,996	81,662	-	608,658
Infrastructure	<u>6,077,395</u>	<u>-</u>	<u>-</u>	<u>6,077,395</u>
Total capital assets being depreciated	<u>6,616,577</u>	<u>81,662</u>	<u>-</u>	<u>6,698,239</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,953)	(487)	-	(5,440)
Machinery and equipment	(284,305)	(27,768)	-	(312,073)
Infrastructures	<u>(2,585,043)</u>	<u>(151,935)</u>	<u>-</u>	<u>(2,736,978)</u>
Total accumulated depreciation, net	<u>(2,874,301)</u>	<u>(180,190)</u>	<u>-</u>	<u>(3,054,491)</u>
Total capital assets being depreciated, net	<u>3,742,276</u>	<u>(98,528)</u>	<u>-</u>	<u>3,643,748</u>
Business-type activities capital assets, net	<u>\$ 4,003,245</u>	<u>\$ (98,528)</u>	<u>\$ -</u>	<u>\$ 3,904,717</u>

Depreciation expense of \$180,190 was charged to the Water Fund as of June 30, 2021.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the City for governmental activities for the year ended June 30, 2021:

	Balance June 30, 2020	Incurred or Issued	Satisfied or Matured	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
<i>Direct Borrowings:</i>					
FUSD Land Purchase Note	\$ 54,000	\$ -	\$ -	\$ 54,000	\$ 54,000
Energy Efficiency Retrofit Loan	17,255	-	(17,255)	-	-
2018 Certificates of Participation	<u>1,042,686</u>	<u>224,861</u>	<u>(20,000)</u>	<u>1,247,547</u>	<u>20,000</u>
<i>Total direct borrowings</i>	1,113,941	224,861	(37,255)	1,301,547	74,000
2010 Refunding Revenue Bond	1,705,000	-	(330,000)	1,375,000	355,000
Compensated absences	<u>132,492</u>	<u>-</u>	<u>(14,116)</u>	<u>118,376</u>	<u>118,376</u>
Governmental activities long-term liabilities	<u>\$ 2,951,433</u>	<u>\$ 224,861</u>	<u>\$ (381,371)</u>	<u>\$ 2,794,923</u>	<u>\$ 547,376</u>

The following is a summary of the long-term liabilities' transactions of the City for business-type activities for the year ended June 30, 2021:

	Balance June 30, 2020	Incurred or Issued	Satisfied or Matured	Balance June 30, 2021	Due Within One Year
Business-Type Activities:					
<i>Direct Borrowings:</i>					
State of California Department of Resources Note	\$ 2,623	\$ -	\$ -	\$ 2,623	\$ 2,623
<i>Direct Placements:</i>					
Certificates of Participation	<u>1,530,800</u>	<u>-</u>	<u>(37,300)</u>	<u>1,493,500</u>	<u>38,900</u>
Total Direct Borrowings and Placements	1,533,423	-	(37,300)	1,496,123	41,523
Compensated absences	<u>43,489</u>	<u>-</u>	<u>(24,369)</u>	<u>19,120</u>	<u>19,120</u>
Business-type activities long-term liabilities	<u>\$ 1,576,912</u>	<u>\$ -</u>	<u>\$ (61,669)</u>	<u>\$ 1,515,243</u>	<u>\$ 60,643</u>

2010 Refunding Revenue Bond

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 2024 with interest ranging from 2% to 5.10% payable semi-annually on March 15 and September 15. The bonds are secured by each project's sources of revenue including General Fund, Gas Tax, Tax Increment, County Local Transportation Fund, Measure C and net revenues from user fees collected by the Water fund. There is a provision whereby if the City is unable to make payment or does not comply with bond covenants, the Trustee may declare the principal of the bonds outstanding and the accrued interest thereon to be due and payable immediately.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (Continued)

2010 Refunding Revenue Bond (Continued)

The following is a schedule of the future estimated minimum payments related to the 2010 Refunding Revenue Bond at June 30, 2021:

Year Ended June 30	Principal	Interest	Totals
2022	\$ 355,000	\$ 61,073	\$ 416,073
2023	375,000	42,458	417,458
2024	645,000	16,448	661,448
Total	<u>\$ 1,375,000</u>	<u>\$ 119,979</u>	<u>\$ 1,494,979</u>

2018 Certificates of Participation

On December 18, 2018, the City was awarded a loan from the United States Department of Agriculture, Rural Development Division for a total of \$1,316,950. The purpose of the loan is for the construction of a Fire Station for the City of Fowler. As of June 30, 2021, the City has drawn \$1,286,547 at a stated interest rate of not more than 2.375% per annum. Principal payments will be due on September 1 of each year. Interest is due semiannually on March 1 and September 1 of each year. There is a provision whereby if the City is unable to make payment, does not comply with covenants, or files for reorganization or rearrangement, the trustee may declare the entire unpaid principal and interest immediately due and payable.

The annual requirements to amortize \$1,286,547 in funds drawn to date and the balance to yet be disbursed of the 2018 Certificates of Participation outstanding as of June 30, 2021, are as follows:

Year Ended June 30	Principal	Interest	Totals
2022	\$ 20,000	\$ 29,392	\$ 49,392
2023	21,000	28,905	49,905
2024	22,000	28,394	50,394
2025	22,000	27,872	49,872
2026	23,000	27,337	50,337
2027-2031	124,000	128,077	252,077
2032-2036	140,000	112,426	252,426
2037-2041	157,000	94,816	251,816
2042-2046	176,000	75,067	251,067
2047-2051	200,000	52,790	252,790
2052-2056	225,000	27,556	252,556
2057-2061	117,547	3,536	121,083
Total	<u>\$ 1,247,547</u>	<u>\$ 636,168</u>	<u>\$ 1,883,715</u>

Land Purchase Note

On February 24, 2010, the City purchased 8 acres of land located at South and Sunnyside Avenues for a price of \$432,000 payable in 8 annual installments of \$54,000 at no interest. Payments to commence January 6, 2011, and annually thereafter on or before January 6th until paid in full. As of June 30, 2021, the outstanding balance is \$54,000. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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 calls for monthly payments of \$1,435 until April 2021 and bears no interest. As of June 30, 2021, the loan has been fully paid.

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, 2021, the City has drawn \$1,665,100 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 amount of the note is secured by the pledge of user fees collected by the Water Fund. There is a provision whereby if the City is unable to make payment, does not comply with covenants, or files for reorganization or rearrangement, the trustee may declare the entire unpaid principal and interest immediately due and payable.

The annual requirements to amortize Certificates of Participation outstanding as of June 30, 2021, are as follows:

Year Ended June 30	Principal	Interest	Totals
2022	\$ 38,900	\$ 64,490	\$ 103,390
2023	40,700	62,748	103,448
2024	42,400	60,931	103,331
2025	44,300	59,034	103,334
2026	46,200	57,054	103,254
2027-2031	263,400	252,403	515,803
2032-2036	326,200	188,138	514,338
2037-2041	404,100	108,563	512,663
2042-2046	287,300	19,213	306,513
Total	<u>\$ 1,493,500</u>	<u>\$ 872,574</u>	<u>\$ 2,366,074</u>

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 installments over the remaining life of the note. As of June 30, 2021, the outstanding balance is \$2,623. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable.

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 10.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 10.

Unavailable revenues arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Local Transportation Fund - Article 8	Other Governmental Funds	Total Governmental Funds
Transient occupancy tax revenue	\$ 39,985	\$ -	\$ -	\$ 39,985
Intergovernmental revenue	67,122	525,976	14,400	607,498
Total:	<u>\$ 107,107</u>	<u>\$ 525,976</u>	<u>\$ 14,400</u>	<u>\$ 647,483</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

California Public Employees' Retirement Plan (CalPERS)

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Fowler's (City) sponsors four rate plans (two miscellaneous and two safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

The rate plan provisions and benefits in effect at are summarized as follows:

	Miscellaneous	
	1st Tier	PEPRA
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 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 annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	14.194%	7.732%

	Safety	
	1st Tier	PEPRA
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	13.0%
Required employer contribution rates	21.746%	13.044%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$373,395 for the fiscal year ended June 30, 2021.

Contributions –Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City's contributions to the plan recognized as pension expense for the year ended were \$585,312.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$4,881,119.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.0446%
Proportion - June 30, 2020	0.0449%
Change - Increase (Decrease)	0.0003%

For the year ended June 30, 2021, the City recognized pension expense of \$859,280. At June 30, 2021, 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	\$ 729,421	-
Changes of assumptions	-	27,312
Differences between actual and expected experience	302,875	-
Net differences between projected and actual earnings on plan investments	129,267	-
Change in employer's proportion	32,511	39,990
Differences between the employer's actual contributions and the employer's proportionate share of contributions	24,120	-
Total	<u>\$ 1,218,194</u>	<u>\$ 67,302</u>

\$729,421 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, 2022. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2022	\$ 81,528
2023	152,800
2024	124,226
2025	62,917
2026	-
Thereafter	-
Total	<u>\$ 421,471</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	3.30% - 14.20% ⁽¹⁾
Investment Rate of Return	7.15% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The mortality table was developed based on CalPERS specific data.

The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

D. Discount Rate

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

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

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

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

^(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% used for this period

^(c) An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents 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 one percentage point lower or one percentage point higher than the current rate:

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 7,139,719	\$ 4,881,119	\$ 3,020,441

E. Pension Plan Fiduciary Net Position

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTE 11 – DEFERRED COMPENSATION

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.

NOTE 12 – RISK MANAGEMENT

A. Central San Joaquin Valley Risk Management Authority

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of 54 cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such that CSJVRMA is not considered 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.

At the termination of the joint venture agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

At June 30, 2021, the City reported \$190,808 as deposits with others in the Governmental Funds, related to the general liability and workers' compensation programs.

The annual financial report may be obtained from the consortium's executive office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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.

**CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

B. Federal Awards

The City has received federal awards for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under award terms, any required reimbursements are not expected to be material.

C. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus, COVID-19, a pandemic. Accordingly, some functions of the City's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

NOTE 14 – FOWLER REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

On February 1, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the "Bill") which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FOWLER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amount			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 612,140	\$ 612,140	\$ 1,103,459	\$ 491,319
Sales taxes	2,430,000	2,430,000	3,160,574	730,574
Franchise taxes	336,200	336,200	408,151	71,951
Utility users taxes	380,000	380,000	507,556	127,556
Other taxes	115,000	115,000	139,545	24,545
Payments in lieu of taxes	625,000	625,000	791,623	166,623
Licenses and permits	632,350	632,350	878,141	245,791
Intergovernmental revenue	710,976	710,976	412,253	(298,723)
Fines and penalties	9,000	9,000	9,153	153
Use of money and property	26,250	26,250	14,652	(11,598)
Charges for services	171,025	171,025	223,613	52,588
Miscellaneous	57,000	57,000	77,989	20,989
Total revenues	6,104,941	6,104,941	7,726,709	1,621,768
EXPENDITURES				
Current:				
General governmental	1,096,830	1,096,830	1,424,801	(327,971)
Public safety	1,963,288	1,963,288	1,877,783	85,505
Public works	647,414	647,414	719,219	(71,805)
Community development	412,494	412,494	762,181	(349,687)
Culture and recreation	197,452	197,452	206,704	(9,252)
Capital outlay	675,897	675,897	161,573	514,324
Debt service:				
Principal	-	-	20,000	(20,000)
Interest and fiscal charges	-	-	19,390	(19,390)
Total expenditures	4,993,375	4,993,375	5,191,651	(198,276)
Excess (deficiency) of revenues over (under) expenditures	1,111,566	1,111,566	2,535,058	1,423,492
OTHER FINANCING SOURCES (USES)				
Operating transfers in	345,000	345,000	-	(345,000)
Operating transfers out	(584,983)	(584,983)	(19,200)	565,783
Sale of general capital assets	-	-	1,050	1,050
Total other financing sources (uses)	(239,983)	(239,983)	(18,150)	221,833
Net change in fund balances	871,583	871,583	2,516,908	1,645,325
Fund balances - beginning	6,449,759	6,449,759	6,449,759	-
Fund balances - ending	\$ 7,321,342	\$ 7,321,342	\$ 8,966,667	\$ 1,645,325

CITY OF FOWLER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND – ARTICLE 8
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amount</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental revenue	\$ 170,602	\$ 170,602	\$ -	\$ (170,602)
Use of money and property	300	300	-	(300)
Miscellaneous	<u>-</u>	<u>-</u>	<u>286</u>	<u>286</u>
Total revenues	<u>170,902</u>	<u>170,902</u>	<u>286</u>	<u>(170,616)</u>
EXPENDITURES				
Current:				
Public works	100,737	100,737	91,936	8,801
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>17,255</u>	<u>(17,255)</u>
Total expenditures	<u>100,737</u>	<u>100,737</u>	<u>109,191</u>	<u>(8,454)</u>
Net change in fund balances	70,165	70,165	(108,905)	(179,070)
Fund balances - beginning	<u>148,363</u>	<u>148,363</u>	<u>148,363</u>	<u>-</u>
Fund balances - ending	<u>\$ 218,528</u>	<u>\$ 218,528</u>	<u>\$ 39,458</u>	<u>\$ (179,070)</u>

CITY OF FOWLER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 460	\$ 460	\$ -	\$ (460)
Charges for services	495,000	495,000	868,423	373,423
Total revenues	495,460	495,460	868,423	372,963
EXPENDITURES				
Current:				
Public safety	7,000	7,000	-	7,000
Public works	21,000	21,000	94,522	(73,522)
Culture and recreation	7,000	7,000	-	7,000
Capital outlay	82,000	82,000	-	82,000
Total expenditures	117,000	117,000	94,522	22,478
Excess (deficiency) of revenues over (under) expenditures	378,460	378,460	773,901	395,441
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(107,000)	(107,000)	-	107,000
Total other financing sources (uses)	(107,000)	(107,000)	-	107,000
Net change in fund balances	271,460	271,460	773,901	502,441
Fund balances - beginning	2,833,256	2,833,256	2,833,256	-
Fund balances - ending	\$ 3,104,716	\$ 3,104,716	\$ 3,607,157	\$ 502,441

**CITY OF FOWLER
REQUIRED SUPPLEMENTARY INFORMATION
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2021**

	2016	2017	2018	2019	2020	2021
Proportion of the net pension liability	0.4720%	0.0446%	0.0440%	0.0445%	0.0446%	0.0449%
Proportionate share of the net pension liability	\$ 3,236,451	\$ 3,856,008	\$ 4,363,092	\$ 4,291,238	\$ 4,565,556	\$ 4,881,119
Covered payroll	\$ 1,558,059	\$ 1,732,590	\$ 1,783,798	\$ 1,594,792	\$ 1,691,707	\$ 1,820,008
Proportionate share of the net pension liability as percentage of covered payroll	207.72%	222.56%	244.60%	269.08%	269.88%	268.19%
Plan fiduciary net position as a percentage of the total pension liability	72.42%	69.20%	69.34%	71.42%	71.83%	70.99%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

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

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

**CITY OF FOWLER
REQUIRED SUPPLEMENTARY INFORMATION
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2021**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarily required contribution (actuarially determined)	\$ 408,694	\$ 424,070	\$ 453,902	\$ 454,404	\$ 511,142	\$ 585,312	\$ 729,421
Contributions in relation to the actuarially determined contributions	<u>408,694</u>	<u>424,070</u>	<u>453,902</u>	<u>454,404</u>	<u>511,142</u>	<u>585,312</u>	<u>729,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,558,059	\$ 1,732,590	\$ 1,783,798	\$ 1,594,792	\$ 1,691,707	\$ 1,820,008	\$ 1,783,377
Contributions as a percentage of covered payroll	26.23%	24.48%	25.45%	28.49%	30.21%	32.16%	40.90%

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

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SUPPLEMENTARY INFORMATION

**CITY OF FOWLER
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

Nonmajor Special Revenue Funds

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

The **Gas Tax Fund** accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance, and construction must be street related.

The **Traffic Congestion Relief Fund** accounts for revenues and expenditures apportioned to the City to improve traffic mobility and relieve congestion, connect transportation systems, and provide for better goods movement

The **Local Transportation Fund – Article 3 Fund** receives its funding from State Local Transportation Funds which are administered and disbursed by the Fresno Council of Governments (FCOG). This program is commonly referred to as LTF Article 3 because of its identifying section in the State Public Utilities Code. Article 3 funds are restricted to pedestrian bicycle and sidewalk use.

The **Measure C Fund** receives its funding from a 1/2% sales tax increase approved by Fresno County voters in November 1986. Funds are used for rehabilitation of existing streets, curb, gutter, sidewalk, and drainage systems. The Measure C Tax was extended by voter approval through 2026.

The **Road Maintenance and Rehab Act (SB1) Fund** accounts for revenues and expenditures apportioned to the City for the purpose of maintaining and rehabilitating public roads.

The **Community Development Block Grant (CDBG) Fund** is used to account separately for state revenues to assist in development activities.

**CITY OF FOWLER
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021**

	Gas Tax	Traffic Congestion Relief	Local Transportation Fund - Article 3	Measure C	Road Maintenance and Rehabilitation Act (SB1)	Community Development Block Grant (CDBG)	Totals
ASSETS							
Cash and investments	\$ 75,306	\$ 14,463	\$ 28,669	\$ 1,386,724	\$ 43,645	\$ 359,408	\$ 1,908,215
Intergovernmental receivable	-	-	14,400	25,439	21,803	89,826	151,468
Community loans receivable	-	-	-	-	-	283,642	283,642
Total assets	<u>\$ 75,306</u>	<u>\$ 14,463</u>	<u>\$ 43,069</u>	<u>\$ 1,412,163</u>	<u>\$ 65,448</u>	<u>\$ 732,876</u>	<u>\$ 2,343,325</u>
LIABILITIES							
Accounts payable	\$ 12,489	\$ -	\$ -	\$ 2,780	\$ -	\$ 37,073	\$ 52,342
Total liabilities	<u>12,489</u>	<u>-</u>	<u>-</u>	<u>2,780</u>	<u>-</u>	<u>37,073</u>	<u>52,342</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	14,400	-	-	-	14,400
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
FUND BALANCES							
Nonspendable:							
Notes receivable	-	-	-	-	-	283,642	283,642
Restricted:							
Public works	62,817	14,463	28,669	1,409,383	65,448	-	1,580,780
Community development	-	-	-	-	-	412,161	412,161
Total fund balances	<u>62,817</u>	<u>14,463</u>	<u>28,669</u>	<u>1,409,383</u>	<u>65,448</u>	<u>695,803</u>	<u>2,276,583</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,306</u>	<u>\$ 14,463</u>	<u>\$ 43,069</u>	<u>\$ 1,412,163</u>	<u>\$ 65,448</u>	<u>\$ 732,876</u>	<u>\$ 2,343,325</u>

CITY OF FOWLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Gas Tax	Traffic Congestion Relief	Local Transportation Fund - Article 3	Measure C	Road Maintenance and Rehabilitation Act (SB1)	Community Development Block Grant (CDBG)	Totals
REVENUES							
Intergovernmental revenue	\$ 143,777	\$ -	\$ -	\$ 284,352	\$ 119,648	\$ -	\$ 547,777
Use of money and property	-	-	-	155	-	231,384	231,539
Miscellaneous	1,236	-	-	-	-	-	1,236
Total revenues	145,013	-	-	284,507	119,648	231,384	780,552
EXPENDITURES							
Current:							
Public works	18,442	-	-	48,348	-	-	66,790
Community development	-	-	-	-	-	261	261
Capital outlay	-	-	-	2,992	225,652	340,950	569,594
Total expenditures	18,442	-	-	51,340	225,652	341,211	636,645
Excess (deficiency) of revenues over (under) expenditures	126,571	-	-	233,167	(106,004)	(109,827)	143,907
OTHER FINANCING SOURCES (USES)							
Operating transfers out	(98,800)	-	-	-	-	-	(98,800)
Total other financing sources (uses)	(98,800)	-	-	-	-	-	(98,800)
Net change in fund balances	27,771	-	-	233,167	(106,004)	(109,827)	45,107
Fund balances - beginning	35,046	14,463	28,669	1,176,216	171,452	805,630	2,231,476
Fund balances - ending	\$ 62,817	\$ 14,463	\$ 28,669	\$ 1,409,383	\$ 65,448	\$ 695,803	\$ 2,276,583

CITY OF FOWLER
AUDITOR'S
COMMUNICATION LETTER
FOR THE YEAR ENDED JUNE 30, 2021

**CITY OF FOWLER
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2021**

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To the City Council of the
City of Fowler
Fowler, California

We have audited the financial statements of the City of Fowler (City), for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 1, 2021. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Accounting estimates are used in determining the depreciable lives and methods used for capital assets, compensated absences, and funding progress of CalPERS pension liability. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures about the employee retirement plan disclosed in Note 10 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We did not identify any significant audit adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

A handwritten signature in black ink, appearing to be "Michael J. [unclear]", written in a cursive style.

September 15, 2022

**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***

To the City Council of the
City of Fowler
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 the City of Fowler, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2022.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for determining 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal controls* 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 controls, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs identified as items 2021-002, 2021-003, 2021-004, 2021-005, 2021-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls 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 identified as items 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 the financial statements. 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's Response to Findings

The City's responses to the findings identified in our audit are described in the Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion in 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bryant L. Jolley, CPA

September 15, 2022

CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

A. Findings – Financial Statements Audit

Finding 2021-001

Internal Controls – Water Consumer Deposits (Significant Deficiency)

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

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

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

Cause: The City likely did not have timely and accurate financial information on hand related to the water consumer deposits balance for residential and commercial customers during FY 2020-21, this can cause the decision-making process of the City to be faulty.

Effect: Expenditures and/or expenses may be materially overstated or understated throughout the City's accounting records, adversely affecting the fund balance and/or net position in several funds.

Recommendations: 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.

Status: Repeat finding from prior year.

CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-002

Internal Controls - Water Consumer Overpayments and Accounts Receivable (Material Weakness)

Condition:	During our audit of the payments received by the City for water service from residential and commercial consumers we noted that while the City hired a CPA consultant firm to review the water overpayments liability balance and the accounts receivable balance and record adjustments as considered necessary, this exercise was done in arrears during the FY 2020-21 rather than on a routine basis during FY 2020-21. The consultant firm also found it was not possible to acquire a proper listing of the balances by consumer as the cutoff timeline for generating reports from the financial information system was missed.
Criteria:	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.
Cause:	The City management was not available to implement a proper review and reconciliation exercise of the balances on a routine basis.
Effect:	The City likely did not have timely financial information on hand related to the water overpayments and accounts receivable balances for residential and commercial consumers during FY 2020-21; this can cause the decision-making process of the City to be faulty.
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.
Status:	Repeat finding from prior year.

Finding 2021-003

Internal Controls- Closing Books (Material Weakness)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-003

Internal Controls- Closing Books (Material Weakness) continued

Criteria:	Accounting principles generally accepted in the United State of America require adequate internal controls to ensure accounting transactions are properly recorded on the books.
Cause:	While City management seemed to have made efforts during FY 2020-21 to implement better internal control processes to safeguard the City's assets and properly record financial transactions at the City with retaining better audit trails; the process of implementation seemed inconsistent, at times incomplete and with accounting errors.
Effect:	When a proper and timely closing process is not performed, City staff and constituents may be relying on faulty and incomplete financial data in making real time decisions or external reporting. This can lead to a potential material errors in financial presentation at the city, and cause delays in proper cutoff at year end and a delay the City's annual audit report issued.
Recommendations:	We recommend the City management continue to work on improving the closing process and internal control processes in accounting of City's financial transactions.
Status:	Repeat finding from prior year.

Finding 2021-004

Internal Controls - Cash (Material Weakness)

Condition:	While auditing the City's cash balances, we noted bank reconciliations were prepared by the CPA firm consultant hired by the City during FY 2020-21 rather than on a periodic basis during FY 2020-21. We also noted the CPA Firm consultant made large adjustments to the books due to financial transactions observed on the bank statements but not recorded on the books, transactions recorded with errors or duplications on the books, and transactions recorded with timing lags on the books.
Criteria:	Accounting principles generally accepted in the United States of America require internal controls to safeguard and preserve assets, protect against improper fund disbursement, and to ensure transactions are properly recorded.
Cause:	The City management was not available or lacked the technical proficiency to implement proper review and reconciliation of the cash balances on a routine basis.

CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-004

Internal Controls - Cash (Material Weakness) continued

Effect:

The City operated during the FY 2020-21 with cash balances which were inaccurate and if relied on could have caused the decision-making process at the City to be relying on inaccurate financial balances. The lack of periodic review and reconciliations of cash balances is likely to increase the opportunities for misappropriations and or misuse of City's cash.

Recommendation:

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

Status:

Repeat finding from prior year

Finding 2021-005

Internal Controls – Expenditures and Credit Cards (Material Weakness)

Condition:

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

1. The City's policy is to have a credit card use agreement signed by each employee issued a credit card; we noted not every employee issued a credit card had a signed credit card agreement on file for the credit card. The documentation on credit cards being issued with the credit card use agreement was unclear, incomplete or outdated at times and overall a complete and current list of credit card holders and agreements was not on file for proper tracking and accountability.
2. An audit trail of payment authorization on the credit card balance was lacking on some instances; even though a copy of the warrant was kept on file in some cases the warrant was issued prior to approval signatures.
3. Interim Finance Director's charges were not reviewed and approved.
4. We noted payment on a credit card balance was paid through automatic withdrawal from the City's bank account without proper internal control procedures for preapproval of disbursement.
5. We noted expenses paid through credit card being posted to the books in an untimely basis.

Criteria:

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

CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-005

Internal Controls – Expenditures and Credit Cards (Material Weakness) Continued

Cause:	The City management seems to have had a difficult time implementing a proper internal control process over cash disbursements of the City.
Effect:	The above issues are the result of breaks on internal controls over cash disbursements and the use of credit cards. This can result in improper fund disbursement and misuse of credit cards issued by the City.
Recommendations:	We recommend the City implement an appropriate process for the authorization of cash disbursements with proper audit trail documentation on file as well as implement its Credit Card Use Policy properly.
Status:	Repeat finding from prior year.

Finding 2021-006

Internal Controls - Building Permit and Impact Fees (Material Weakness)

Condition:	<p>During our audit, we selected a sample of building permits and performed procedures to review supporting documentation for the proper implementation of safeguarding and recording procedures over billing, collection and recording of the receipts. We noted the following weaknesses in internal controls:</p> <p>We noticed a handful of the building permits in our sample did not have the signed copy of the building permit application on file. We viewed an unsigned copy printed from the City's tracking software during our audit.</p> <p>For the sample of building permit receipts collected by the City during the year contemporaneous documentation for calculations and itemizations completed by the building official for assessment of fees like grading permit fees, electrical permit fees, mechanical permit fees and plumbing permit fees was not available for audit in considering whether the fees were assessed according to City policy. The building official in the past audit indicated he used a building permit software in calculating the fees for building permits at the time of billing the customer, however, documentation on these calculations was not kept on file. Through verbal recalculations provided by the building official it seemed assessment of fees had been completed based on adopted City policy. In addition, the building official seemed to be the only staff responsible for assessment of fees without a level of review and oversight over his work in this area.</p>
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CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-006

Internal Controls - Building Permit and Impact Fees (Material Weakness) continued

Criteria:	Accounting principles generally accepted in the United States of America require internal controls to safeguard and preserve assets, and to ensure transactions are properly recorded.
Cause:	The City seems to have struggled with the accountability aspect in the building department as well as the communication and record retention in this department. The finance department expressed implementing efforts to better the process during FY 2020-21 however, it seems the implementation was not addressed as planned. The building official during FY 2020-21 is no longer employed by the City, this may have also led to the lack of signed building permit applications or the misplacement of them.
Effect:	The lack of proper documentation for fees assessed and the lack of review and oversight over the building officials' duties is a weakness in internal controls which can lead to the City's assessment of fees to be considered questionable and open to conflict with the City's citizen's trust in the appropriateness of the City's procedures and policies when assessing fees.
Recommendations:	We recommend the following: the City retains signed building permit applications on file for accountability and support of building and impact fees assessed on each build permit issued; the City implement an audit trail that includes documentation of calculations and itemizations prepared to arrive at all fees assessed when issuing building permit fees and we recommend a process of review and oversight over the building officials work of fees assessment is implemented to help identify any possible omissions or errors in the assessment of fees and ensure assessment of fees is according to City adopted policies.
Status:	Repeat finding from prior year.

CITY OF FOWLER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

Finding 2020-001:	Internal Controls - Water Consumer Deposits – Not Implemented. See current year Finding 2021-001
Finding 2020-002:	Internal Controls - Water Consumer Overpayments and Accounts Receivable – Not Implemented. See current year Finding 2021-002.
Finding 2020-003:	Internal Controls - Closing Books – Not Implemented. See current year Finding 2021-003
Finding 2020-004:	Internal Controls - Cash – Not Implemented. See current year Finding 2021-004.
Finding 2020-005:	Internal Controls - Expenditures and Credit Cards – Not Implemented. See current year Finding 2021-005.
Finding 2020-006:	Internal Controls - Building Permit and Impact Fees – Not Implemented. See current year Finding 2021-006.



CORRECTIVE ACTION PLAN

Finding Number	Finding	Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person(s)
2021-001	Internal Controls – Water Consumer Deposits (Significant Deficiency)	The City is in the process of making the changes to administer water deposits accordingly to City ordinance, and to implement a procedure to review balances on a timely basis for accuracy with all supporting documents to balance the books.	Fiscal Year 21-22	Margarita Moreno, Finance Director
2021-002	Internal Controls - Water Consumer Overpayments and Accounts Receivable (Material Weakness)	The City is in the process of making the changes to implement a procedure to review balances on a timely basis for accuracy with all supporting documents to balance the books.	Fiscal Year 21-22	Margarita Moreno, Finance Director
2021-003	Internal Controls-Closing Books (Material Weakness)	The City is in the process of making the changes to implement a procedure manual for the accounting of the City's financial transactions for internal control and closing process.	Fiscal Year 21-22	Margarita Moreno, Finance Director
2021-004	Internal Controls – Cash (Material Weakness)	The City is in the process of making changes to implement a procedure for the review and reconciliation of cash balances on a periodic basis with internal controls to ensure the safeguard of the asset.	Fiscal Year 21-22	Margarita Moreno, Finance Director
2021-005	Internal Controls – Expenditures and Credit Cards (Material Weakness)	The City in the process of making changes to internal control in implementing the appropriate process for the authorization of cash disbursements with proper audit trail documentation on file as well as implement its Credit Card Use Policy properly.	Fiscal Year 21-22	Margarita Moreno, Finance Director

CORRECTIVE ACTION PLAN (continued)

Finding Number	Finding	Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person(s)
2021-006	Internal Controls - Building Permit and Impact Fees (Significant Deficiency)	The City is in the process of making changes to retain the required documents for auditing purposes and support of building and impact fees assessed on each build permit issued; implement an audit trail that includes documentation of calculations and itemizations prepared, implement a process of review and oversight over the building officials work of fees assessment according to City adopted policies.	Fiscal Year 21-22	Margarita Moreno, Finance Director



Margarita Moreno, Finance Director