

**CITY OF FOWLER
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022**

**CITY OF FOWLER
CALIFORNIA
FINANCIAL STATEMENTS
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the City's Proportionate Share of Net Pension Liability on page 48, Schedule of Contributions on page 49, and the budgetary comparison information on pages 46-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 May 30, 2023, 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 City's internal control over financial reporting and compliance.

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

May 30, 2023

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CITY OF FOWLER
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,545,059	\$ 4,184,395	\$ 22,729,454
Restricted cash and investments with fiscal agents	445,592	-	445,592
Receivables (net of allowance for uncollectibles)	284,011	1,478,281	1,762,292
Intergovernmental receivable	3,214,854	-	3,214,854
Assessments receivable	6,175	-	6,175
Community loans receivable	273,642	-	273,642
Internal balances	40,000	(40,000)	-
Deposits with others	53,091	-	53,091
Advances to Successor Agency	163,000	-	163,000
Capital assets, not being depreciated	8,737,088	739,627	9,476,715
Capital assets, net of accumulated depreciation	<u>15,588,337</u>	<u>3,465,280</u>	<u>19,053,617</u>
Total assets	<u>47,350,849</u>	<u>9,827,583</u>	<u>57,178,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources from pensions	<u>955,522</u>	<u>344,710</u>	<u>1,300,232</u>
LIABILITIES			
Accounts payable	306,231	91,620	397,851
Retainage payable	10,967	1,673	12,640
Deposits payable	14,851	150,610	165,461
Unearned revenue	47,224	-	47,224
Accrued interest payable	46,980	21,213	68,193
Noncurrent liabilities:			
Due within one year	604,199	66,427	670,626
Due in more than one year	2,468,810	1,413,900	3,882,710
Net pension liability	<u>2,254,816</u>	<u>811,251</u>	<u>3,066,067</u>
Total liabilities	<u>5,754,078</u>	<u>2,556,694</u>	<u>8,310,772</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>1,655,642</u>	<u>753,943</u>	<u>2,409,585</u>
NET POSITION			
Net investment in capital assets	21,373,055	2,747,684	24,120,739
Restricted for:			
General government	14,724	-	14,724
Public safety	930,772	-	930,772
Public works	6,314,271	-	6,314,271
Community development	931,272	-	931,272
Culture and recreation	951,857	-	951,857
Long-term debt	1,000,984	-	1,000,984
Unrestricted	<u>9,379,716</u>	<u>4,113,972</u>	<u>13,493,688</u>
Total net position	<u>\$ 40,896,651</u>	<u>\$ 6,861,656</u>	<u>\$ 47,758,307</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, 2022**

	Program Revenues				Net (Expenses) Revenues 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	\$ 2,158,726	\$ 173,973	\$ 1,624,312	\$ -	\$ (360,441)	\$ -	\$ (360,441)
Public safety	2,072,256	294,884	185,282	-	(1,592,090)	-	(1,592,090)
Public works	1,196,358	1,209,262	158,800	1,477,929	1,649,633	-	1,649,633
Community development	1,092,565	1,176,539	235,469	-	319,443	-	319,443
Culture and recreation	235,630	418,110	1,442	-	183,922	-	183,922
Interest on long-term debt	163,469	-	-	-	(163,469)	-	(163,469)
Total governmental activities	<u>6,919,004</u>	<u>3,272,768</u>	<u>2,205,305</u>	<u>1,477,929</u>	<u>36,998</u>	<u>-</u>	<u>36,998</u>
Business-type activities:							
Water	<u>2,168,451</u>	<u>1,442,147</u>	<u>106,958</u>	<u>-</u>	<u>-</u>	<u>(619,346)</u>	<u>(619,346)</u>
Total business-type activities	<u>2,168,451</u>	<u>1,442,147</u>	<u>106,958</u>	<u>-</u>	<u>-</u>	<u>(619,346)</u>	<u>(619,346)</u>
Total	<u>\$ 9,087,455</u>	<u>\$ 4,714,915</u>	<u>\$ 2,312,263</u>	<u>\$ 1,477,929</u>	<u>36,998</u>	<u>(619,346)</u>	<u>(582,348)</u>
General revenues and transfers							
General revenues:							
Property taxes					1,315,444	-	1,315,444
Sales taxes					3,843,321	-	3,843,321
Franchise taxes					471,602	-	471,602
Utility users taxes					554,548	-	554,548
Other taxes					167,041	-	167,041
Payments in lieu of taxes					835,038	-	835,038
Rental income					9,415	-	9,415
Unrestricted investment earnings					76,697	3,242	79,939
Miscellaneous					378,226	-	378,226
Transfers					<u>(392,955)</u>	<u>392,955</u>	<u>-</u>
Total general revenues and transfers					<u>7,258,377</u>	<u>396,197</u>	<u>7,654,574</u>
Change in net position					7,295,375	(223,149)	7,072,226
Net position - beginning					<u>33,601,276</u>	<u>7,084,805</u>	<u>40,686,081</u>
Net position - ending					<u>\$ 40,896,651</u>	<u>\$ 6,861,656</u>	<u>\$ 47,758,307</u>

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

CITY OF FOWLER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

		Special Revenue			
	General Fund	Fund Impact Fees Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,948,527	\$ 5,564,192	\$ -	\$ 3,032,340	\$ 18,545,059
Cash with fiscal agents	-	-	-	445,592	445,592
Receivables (net of allowance for uncollectibles)	281,516	-	-	2,495	284,011
Assessments receivable	-	-	-	6,175	6,175
Intergovernmental receivable	1,733,369	-	815,447	666,038	3,214,854
Community loans receivable	-	-	-	273,642	273,642
Due from other funds	1,208,465	-	-	-	1,208,465
Deposits with others	53,091	-	-	-	53,091
Advances to other funds	-	-	-	40,000	40,000
Advances to Successor Agency	-	-	-	163,000	163,000
Total assets	<u>\$ 13,224,968</u>	<u>\$ 5,564,192</u>	<u>\$ 815,447</u>	<u>\$ 4,629,282</u>	<u>\$ 24,233,889</u>
LIABILITIES					
Accounts payable	\$ 240,992	\$ 35,947	\$ 25,258	\$ 4,034	\$ 306,231
Retainage payable	-	-	10,967	-	10,967
Deposits	14,851	-	-	-	14,851
Unearned revenue	47,224	-	-	-	47,224
Due to other funds	-	-	1,198,852	9,613	1,208,465
Total liabilities	<u>303,067</u>	<u>35,947</u>	<u>1,235,077</u>	<u>13,647</u>	<u>1,587,738</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>65,271</u>	<u>-</u>	<u>-</u>	<u>610,927</u>	<u>676,198</u>
Total deferred inflows of resources	<u>65,271</u>	<u>-</u>	<u>-</u>	<u>610,927</u>	<u>676,198</u>
FUND BALANCES (DEFICITS)					
Restricted:					
General government	-	14,724	-	-	14,724
Public safety	-	930,772	-	-	930,772
Public works	-	3,630,892	-	2,086,099	5,716,991
Community development	-	-	-	931,272	931,272
Culture and recreation	-	951,857	-	-	951,857
Long-term debt	-	-	-	1,000,984	1,000,984
Unassigned	<u>12,856,630</u>	<u>-</u>	<u>(419,630)</u>	<u>(13,647)</u>	<u>12,423,353</u>
Total fund balances (deficits)	<u>12,856,630</u>	<u>5,528,245</u>	<u>(419,630)</u>	<u>4,004,708</u>	<u>21,969,953</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,224,968</u>	<u>\$ 5,564,192</u>	<u>\$ 815,447</u>	<u>\$ 4,629,282</u>	<u>\$ 24,233,889</u>

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, 2022

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

Total fund balances - governmental funds balance sheet	\$ 21,969,953
Capital assets of \$35,579,461, net of accumulated depreciation of \$11,254,036, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	24,325,425
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds, notes and loans payable	(2,952,370)
Net pension liability	(2,254,816)
	(5,207,186)
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	955,522
Deferred inflows of resources	(1,655,642)
	(700,120)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(120,639)
Certain assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	676,198
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.	(46,980)
Net position of governmental activities	\$ 40,896,651

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, 2022

	General Fund	Special Revenue Fund Impact Fees Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,122,461	\$ -	\$ -	\$ 197,622	\$ 1,320,083
Sales taxes	3,843,321	-	-	-	3,843,321
Franchise taxes	471,602	-	-	-	471,602
Utility users taxes	554,548	-	-	-	554,548
Other taxes	207,026	-	-	-	207,026
Payments in lieu of taxes	835,038	-	-	-	835,038
Licenses and permits	1,146,597	-	-	-	1,146,597
Intergovernmental revenue	1,817,395	-	940,261	613,343	3,370,999
Fines and penalties	12,571	-	-	-	12,571
Use of money and property	12,831	-	206	308,544	321,581
Charges for services	79,009	2,034,591	-	-	2,113,600
Miscellaneous	381,653	-	-	-	381,653
Total revenues	<u>10,484,052</u>	<u>2,034,591</u>	<u>940,467</u>	<u>1,119,509</u>	<u>14,578,619</u>
EXPENDITURES					
Current:					
General governmental	1,626,515	-	-	3,813	1,630,328
Public safety	1,965,022	10,732	-	-	1,975,754
Public works	810,390	43,752	8,851	53,105	916,098
Community development	1,113,704	-	-	-	1,113,704
Culture and recreation	235,171	4,897	-	-	240,068
Capital outlay	937,570	54,122	1,261,067	10,813	2,263,572
Debt service:					
Principal	20,000	-	-	345,000	365,000
Interest and fiscal charges	28,327	-	-	114,678	143,005
Total expenditures	<u>6,736,699</u>	<u>113,503</u>	<u>1,269,918</u>	<u>527,409</u>	<u>8,647,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,747,353</u>	<u>1,921,088</u>	<u>(329,451)</u>	<u>592,100</u>	<u>5,931,090</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	172,455	172,455
Operating transfers out	(467,810)	-	-	(97,600)	(565,410)
Proceeds from long-term debt	610,420	-	30,403	-	640,823
Total other financing sources (uses)	<u>142,610</u>	<u>-</u>	<u>30,403</u>	<u>74,855</u>	<u>247,868</u>
Net change in fund balances	3,889,963	1,921,088	(299,048)	666,955	6,178,958
Fund balances (deficits) - beginning	<u>8,966,667</u>	<u>3,607,157</u>	<u>(120,582)</u>	<u>3,337,753</u>	<u>15,790,995</u>
Fund balances (deficits) - ending	<u>\$ 12,856,630</u>	<u>\$ 5,528,245</u>	<u>\$ (419,630)</u>	<u>\$ 4,004,708</u>	<u>\$ 21,969,953</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, 2022

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

Net changes in fund balances - total governmental funds	\$	6,178,958
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 exceed depreciation expense in the current period.		1,618,829
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		28,715
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	(640,823)	
Repayment of the principal of long-term debt	<u>365,000</u>	
		(275,823)
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	(16,651)	
Compensated absences	(2,263)	
Changes in net pension liabilities and related deferred outflows and inflows of resources	<u>(236,390)</u>	
		<u>(255,304)</u>
Change in net position of governmental activities	\$	<u>7,295,375</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, 2022**

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 4,184,395
Accounts receivable, net of allowance	<u>1,478,281</u>
Total current assets	<u>5,662,676</u>
Noncurrent assets:	
Capital assets, not being depreciated	739,627
Capital assets, net of depreciation	<u>3,465,280</u>
Total noncurrent assets	<u>4,204,907</u>
Total assets	<u>9,867,583</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	<u>344,710</u>
LIABILITIES	
Current liabilities:	
Accounts payable	91,620
Retainage payable	1,673
Deposits	150,610
Interest payable	21,213
Advances from other funds	40,000
Compensated absences	23,104
Bonds payable	40,700
Notes payable	<u>2,623</u>
Total current liabilities	<u>371,543</u>
Noncurrent liabilities:	
Bonds payable	1,413,900
Net pension liability	<u>811,251</u>
Total noncurrent liabilities	<u>2,225,151</u>
Total liabilities	<u>2,596,694</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>753,943</u>
NET POSITION	
Net investment in capital assets	2,747,684
Unrestricted	<u>4,113,972</u>
Total net position	<u>\$ 6,861,656</u>

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

CITY OF FOWLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 1,442,147
Miscellaneous	<u>106,958</u>
Total operating revenues	<u>1,549,105</u>
Operating expenses:	
Personnel costs	982,122
Materials and supplies	104,808
Contract services	384,728
Utilities	284,694
Insurance	108,410
Repairs and maintenance	35,249
Rent and leases	5,740
Depreciation	190,016
Bad debt expense	<u>434</u>
Total operating expenses	<u>2,096,201</u>
Operating income/(loss)	<u>(547,096)</u>
Non-operating revenues (expenses):	
Investment earnings	3,242
Interest expense	(66,673)
Gain/(loss) and disposal of assets	<u>(5,577)</u>
Total non-operating revenues (expenses)	<u>(69,008)</u>
Income before transfers	<u>(616,104)</u>
Transfers in	<u>392,955</u>
Change in net position	(223,149)
Total net position - beginning	<u>7,084,805</u>
Total net position - ending	<u>\$ 6,861,656</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, 2022**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,449,485
Payments to suppliers and service providers	(917,576)
Payments to employees for salaries and benefits	(769,335)
Other receipts	<u>106,958</u>
Net cash provided by (used for) operating activities	<u>(130,468)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans (to) from other funds	(20,000)
Transfers from other funds	392,955
Settlement revenue	<u>600,000</u>
Net cash provided by (used for) noncapital financing activities	<u>972,955</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(38,900)
Interest paid on capital debt	(67,240)
Acquisition and construction of capital assets	<u>(494,110)</u>
Net cash provided by (used for) capital and related financing activities	<u>(600,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,242</u>
Net cash provided by (used for) investing activities	<u>3,242</u>
Increase (decrease) in cash and investments	245,479
Cash and investments - beginning	<u>3,938,916</u>
Cash and investments - ending	<u><u>\$ 4,184,395</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, 2022
(Continued)

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

	<u>Water Fund</u>
Operating income (loss)	\$ (547,096)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	190,016
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net of allowance	(12,411)
(Increase) decrease in deferred outflows of resources	(37,236)
Increase (decrease) in accounts payable	6,487
Increase (decrease) in deposits	19,749
Increase (decrease) in compensated absences	3,984
Increase (decrease) in deferred inflows of resources	719,052
Increase (decrease) in net pension liability	<u>(473,013)</u>
Net cash provided by (used for) operating activities	<u>\$ (130,468)</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, 2022**

	Redevelopment Successor Agency Private Purpose <u>Trust Fund</u>
ASSETS	
Cash and investments	\$ <u>60,300</u>
Total assets	<u>60,300</u>
LIABILITIES	
Advances from the Fowler Public Financing Authority	<u>163,000</u>
Total liabilities	<u>163,000</u>
NET POSITION (DEFICIT)	
Restricted	<u>(102,700)</u>
Total net position (deficit)	\$ <u>(102,700)</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, 2022

	Redevelopment Successor Agency Private Purpose <u>Trust Fund</u>
ADDITIONS	
Tax revenue	\$ 109,100
Total additions	<u>109,100</u>
DEDUCTIONS	
Personnel costs	46,244
Professional services	170
Interest expense	<u>19,850</u>
Total deductions	<u>66,264</u>
Change in net position	42,836
Net position (deficit) - beginning	<u>(145,536)</u>
Net position (deficit) - ending	<u><u>\$ (102,700)</u></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, 2022

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 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, 2022

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 **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 **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, 2022

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, 2022

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, 2022

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 st , 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.

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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2022, the amount of accrued vacation pay was \$120,639 for the General Fund and \$23,104 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.

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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Leases

Lessee: The City is a lessee for noncancellable leases of equipment and vehicles. The lessee recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases (Continued)

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor: The City is a lessor for noncancellable leases of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental and enterprise fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, the City generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, the City uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

B. Encumbrances

The City does not utilize encumbrance accounting.

C. Excess of Expenditures over Appropriations

As of June 30, 2022, 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	\$ 1,626,515	\$ 1,435,882	\$ (190,633)
Community development	1,113,704	1,050,679	(63,025)
Debt service:			
Principal	20,000	-	(20,000)
Interest and fiscal charges	28,327	-	(28,327)
Impact Fees Special Revenue Fund			
Current:			
Public works	\$ 43,752	\$ 10,510	\$ (33,242)
Culture and recreation	4,897	-	(4,897)

D. Deficit Fund Balance

As of June 30, 2022, funds with deficit fund balances consisted of the following:

Governmental Funds	
Major Funds:	
Capital Projects Funds	\$ 419,630
Nonmajor Funds:	
Local Transportation Fund - Article 8 Special Revenue Fund	\$ 13,647

The City expects to eliminate these deficits through future revenues and/or transfers from the General Fund.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 22,729,454
Restricted cash and investments with fiscal agents	445,592

Fiduciary Funds:

Cash and investments	60,300
Total cash and investments	<u>\$ 23,235,346</u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 700
Deposits with financial institutions	21,977,069
Investments	1,257,577
Total cash and investments	<u>\$ 23,235,346</u>

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	Amount	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool	\$ 811,984	\$ 811,984	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Money Market	4,897	4,897	-	-	-
Federal Agency Coupon Securities	<u>440,696</u>	<u>440,696</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,257,577</u>	<u>\$ 1,257,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
		Not Rated
State Investment Pool	\$ 811,984	\$ 811,984
Held by Bond Trustee:		
Money Market	4,897	4,897
U.S. Treasury Securities	<u>440,696</u>	<u>440,696</u>
Total	<u>\$ 1,257,577</u>	<u>\$ 1,257,577</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2022, 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, 2022, the carrying amount of the City's bank deposits was \$21,977,069, and the respective bank balances totaled \$22,163,877, 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.

In addition, as of June 30, 2022, 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 amortized cost.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Investments reflect prices quoted (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon unobservable sources and may require estimation.

The City uses the market approach as a valuation technique in the application of GASB Statement No. 72. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Securities listed on the fair value hierarchy are valued by the custodial bank using Data Feed purchased from Interactive Data Corporation (IDC). The Level 2 Data Feed provides end of day independent valuations utilizing rules based on logic and standard valuation techniques. It maximizes the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves, and market corroborated inputs.

The following is a summary of the fair value of the City's investments using the hierarchy previously discussed as of June 30, 2022:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Treasury Securities	\$ 440,696	\$ 440,696	\$ -	\$ -
Investments not subject to fair value hierarchy:				
State Investment Pool	811,984			
Held by Bond Trustee:				
Money Market Funds	4,897			
	<u>\$ 1,257,577</u>			

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – 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, 2022, 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 on June 30, 2022:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
Major Funds:		
General Fund	\$ 1,208,465	\$ -
Capital Projects Fund	-	1,198,852
Nonmajor Funds:		
Local Transportation Fund - Article 8 Special Revenue Fund	<u>-</u>	<u>9,613</u>
 Total	 <u>\$ 1,208,465</u>	 <u>\$ 1,208,465</u>

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 on June 30, 2022:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Fund		
Major Fund:		
Debt Service Fund	\$ 203,000	\$ -
 Enterprise Fund		
Water Fund	-	40,000
 Fiduciary Fund		
Successor Agency Private Purpose Trust Fund	<u>-</u>	<u>163,000</u>
 Total	 <u>\$ 203,000</u>	 <u>\$ 203,000</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 \$40,000 for the Water Fund and \$163,000 for the Successor Agency as of June 30, 2022.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – INTERFUND ACTIVITIES (Continued)

C. Transfers

Transfers for the year ended June 30, 2022 are summarized as follows:

	Transfers	
	In	Out
Governmental Funds		
Major Funds:		
General Fund	\$ -	\$ 467,810
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax	-	97,600
Debt Service Fund	172,455	-
Enterprise Fund		
Water Fund	392,955	-
Total	<u>\$ 565,410</u>	<u>\$ 565,410</u>

The General Fund and Gas Tax funds transferred \$74,855 and \$97,600, respectively, to the Debt Service Fund to cover debt service payments on the 2010 Refunding Revenue Bond local obligations. Additionally, the General Fund transferred \$392,955 to the Water Fund to subsidize the cost of purchasing new water meters.

NOTE 5 – COMMUNITY LOANS RECEIVABLE

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants (CDBG) from the U.S. Department of Housing and Urban Development. These grants are used to provide loan funding for small businesses in the City of Fowler. The purpose is to develop growth and create jobs in the community of Fowler. The loans are made at reasonable rates. The total loans receivable for the CDBG community loans is \$273,642 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.	34,961
Total CDBG Loans Receivable	<u><u>\$ 273,642</u></u>

*Loans in arrears as of June 30, 2022

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS

A. Governmental Activities

Capital assets activity of the governmental activities for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
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	1,630,674	1,257,892	(2,731,646)	156,920
Total capital assets not being depreciated	10,210,842	1,257,892	(2,731,646)	8,737,088
Capital assets being depreciated:				
Buildings and improvements	5,505,861	-	-	5,505,861
Machinery and equipment	2,398,999	809,760	-	3,208,759
Infrastructure	15,396,107	2,731,646	-	18,127,753
Total capital assets being depreciated	23,300,967	3,541,406	-	26,842,373
Less accumulated depreciation for:				
Buildings and improvements	(1,292,015)	(144,432)	-	(1,436,447)
Machinery and equipment	(2,153,340)	(78,697)	-	(2,232,037)
Infrastructure	(7,359,858)	(225,694)	-	(7,585,552)
Total accumulated depreciation, net	(10,805,213)	(448,823)	-	(11,254,036)
Total capital assets being depreciated, net	12,495,754	3,092,583	-	15,588,337
Governmental activities capital assets, net	\$ 22,706,596	\$ 4,350,475	\$ (2,731,646)	\$ 24,325,425

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

Governmental activities:	
General government	\$ 227,708
Public safety	116,521
Public works	74,207
Community development	4,006
Parks and recreation	26,381
Total depreciation expense - governmental activities	<u>\$ 448,823</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

B. Business-Type Activities

Capital assets activity of the business-type activities for the year ending June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Water Fund				
Capital assets not being depreciated:				
Land	\$ 255,392	\$ -	\$ -	\$ 255,392
Construction in progress	5,577	484,235	(5,577)	484,235
Total capital assets not being depreciated	260,969	484,235	(5,577)	739,627
Capital assets being depreciated:				
Buildings and improvements	12,186	11,548	-	23,734
Machinery and equipment	608,658	-	-	608,658
Infrastructure	6,077,395	-	-	6,077,395
Total capital assets being depreciated	6,698,239	11,548	-	6,709,787
Less accumulated depreciation for:				
Buildings and improvements	(5,440)	(1,088)	-	(6,528)
Machinery and equipment	(312,073)	(36,993)	-	(349,066)
Infrastructures	(2,736,978)	(151,935)	-	(2,888,913)
Total accumulated depreciation, net	(3,054,491)	(190,016)	-	(3,244,507)
Total capital assets being depreciated, net	3,643,748	(178,468)	-	3,465,280
Business-type activities capital assets, net	\$ 3,904,717	\$ 305,767	\$ (5,577)	\$ 4,204,907

During the fiscal year ended June 30, 2022, depreciation expense of \$190,016 was charged to the Water Fund.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – 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, 2022:

	Balance June 30, 2021	Incurred or Issued	Satisfied or Matured	Balance June 30, 2022	Due Within One Year
Governmental Activities					
<i>Direct Borrowings:</i>					
Fire Trucks - Financed Purchase	\$ -	\$ 610,420	\$ -	\$ 610,420	\$ 43,560
FUSD Land Purchase Note	54,000	-	-	54,000	54,000
2018 Certificates of Participation	<u>1,247,547</u>	<u>30,403</u>	<u>(20,000)</u>	<u>1,257,950</u>	<u>21,000</u>
<i>Total direct borrowings</i>	1,301,547	640,823	(20,000)	1,922,370	118,560
2010 Refunding Revenue Bond	1,375,000	-	(345,000)	1,030,000	365,000
Compensated absences	<u>118,376</u>	<u>2,263</u>	<u>-</u>	<u>120,639</u>	<u>120,639</u>
Governmental activities long-term liabilities	<u>\$ 2,794,923</u>	<u>\$ 643,086</u>	<u>\$ (365,000)</u>	<u>\$ 3,073,009</u>	<u>\$ 604,199</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, 2022:

	Balance June 30, 2021	Incurred or Issued	Satisfied or Matured	Balance June 30, 2022	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>1,493,500</u>	<u>-</u>	<u>(38,900)</u>	<u>1,454,600</u>	<u>40,700</u>
<i>Total direct borrowings and placements</i>	1,496,123	-	(38,900)	1,457,223	43,323
Compensated absences	<u>19,120</u>	<u>3,984</u>	<u>-</u>	<u>23,104</u>	<u>23,104</u>
Business-type activities long-term liabilities	<u>\$ 1,515,243</u>	<u>\$ 3,984</u>	<u>\$ (38,900)</u>	<u>\$ 1,480,327</u>	<u>\$ 66,427</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, 2022

NOTE 7 – 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, 2022:

Year Ended June 30	Principal	Interest	Totals
2023	\$ 365,000	\$ 43,223	\$ 408,223
2024	665,000	16,958	681,958
Total	<u>\$ 1,030,000</u>	<u>\$ 60,181</u>	<u>\$ 1,090,181</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 and has 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 following is a schedule of the future estimated minimum payments related to the 2018 Certificates of Participation outstanding as of June 30, 2022:

Year Ended June 30	Principal	Interest	Totals
2023	\$ 21,000	\$ 29,627	\$ 50,627
2024	22,000	29,116	51,116
2025	22,000	28,594	50,594
2026	23,000	28,059	51,059
2027	24,000	27,501	51,501
2028-2032	127,000	128,707	255,707
2033-2037	143,000	112,676	255,676
2028-2042	161,000	94,650	255,650
2043-2047	180,000	74,450	254,450
2048-2052	205,000	51,591	256,591
2053-2057	230,000	25,763	255,763
2058-2060	99,950	2,397	102,347
Total	<u>\$ 1,257,950</u>	<u>\$ 633,131</u>	<u>\$ 1,891,081</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, 2022, 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, 2022

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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, 2022, 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, 2022, are as follows:

Year Ended June 30	Principal	Interest	Totals
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	48,200	54,989	103,189
2028-2032	275,000	240,625	515,625
2033-2037	340,400	173,556	513,956
2038-2042	421,800	90,497	512,297
2043-2044	195,600	8,649	204,249
Total	<u>\$ 1,454,600</u>	<u>\$ 808,083</u>	<u>\$ 2,262,683</u>

Fire Truck Financed Purchase Agreement

On April 20, 2021, the City agreed to purchase two new fire engines for the City's fire department through a financed purchase arrangement at 3% interest. There are nine annual lease payments due April 20th of each year, beginning in 2023. The City took delivery of the first fire engine in February 2022 and the second fire engine in September 2022. After the final lease payment is made, title for both fire engines will be transferred to the City at no additional cost. There is a provision in the agreement whereby in the event of default the lessor has the right to take one or any combination of the following steps: declare all lease payments due, retake possession of the equipment, and/or take any other action necessary under the Uniform Commercial Code.

The following is a schedule of the future estimated minimum payments related to the fire truck financed purchase agreement as of June 30, 2022, are as follows:

Year Ended June 30	Principal	Interest	Totals
2023	\$ 43,560	\$ 37,200	\$ 80,760
2024	63,742	17,018	80,760
2025	65,656	15,104	80,760
2026	67,627	13,133	80,760
2027	69,657	11,103	80,760
2028-2031	300,178	22,858	323,036
Total	<u>\$ 610,420</u>	<u>\$ 116,416</u>	<u>\$ 726,836</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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, 2022, 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 8 – 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.

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	Other Governmental Funds	Total Governmental Funds
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Intergovernmental revenue	65,271	610,927	676,198
Total	<u>\$ 65,271</u>	<u>\$ 610,927</u>	<u>\$ 676,198</u>

**CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – 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.

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	14.020%	7.590%

	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	21.790%	13.130%

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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 \$424,110 for the fiscal year ended June 30, 2022.

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 \$729,427.

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

As of June 30, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,066,067.

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, 2021, 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, 2020, rolled forward to June 30, 2021, 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, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.0449%
Proportion - June 30, 2021	0.0567%
Change - Increase (Decrease)	0.0118%

For the year ended June 30, 2022, the City recognized pension expense of \$1,252,823. At June 30, 2022, 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	\$ 807,630	-
Differences between actual and expected experience	413,221	-
Net differences between projected and actual earnings on plan investments	-	2,348,204
Change in employer's proportion	20,265	61,381
Differences between the employer's actual contributions and the employer's proportionate share of contributions	59,116	-
Total	<u>\$ 1,300,232</u>	<u>\$ 2,409,585</u>

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

\$807,630 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, 2023. 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	
2023	\$ (363,687)
2024	(402,284)
2025	(502,902)
2026	(648,110)
2027	-
Thereafter	-
Total	<u>\$ (1,916,983)</u>

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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, 2020 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.

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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.

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)
Public 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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Discount Rate (Continued)

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%
\$ 5,415,066	\$ 3,066,067	\$ 1,129,559

E. Pension Plan Fiduciary Net Position

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

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, 2022.

NOTE 10 – 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 11 – 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.

**CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – RISK MANAGEMENT (Continued)

A. Central San Joaquin Valley Risk Management Authority (Continued)

At June 30, 2022, the City reported \$53,091 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.

NOTE 12 – 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.

NOTE 13 – 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

CITY OF FOWLER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amount			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 928,250	\$ 928,250	\$ 1,122,461	\$ 194,211
Sales taxes	2,600,000	2,755,600	3,843,321	1,087,721
Franchise taxes	387,200	419,700	471,602	51,902
Utility users taxes	400,000	400,000	554,548	154,548
Other taxes	150,000	150,000	207,026	57,026
Payments in lieu of taxes	807,700	807,700	835,038	27,338
Licenses and permits	677,200	966,200	1,146,597	180,397
Intergovernmental revenue	413,488	1,161,582	1,817,395	655,813
Fines and penalties	9,500	11,500	12,571	1,071
Use of money and property	15,000	15,000	12,831	(2,169)
Charges for services	101,500	115,950	79,009	(36,941)
Miscellaneous	6,600	307,175	381,653	74,478
Total revenues	6,496,438	8,038,657	10,484,052	2,445,395
EXPENDITURES				
Current:				
General governmental	1,294,832	1,435,882	1,626,515	(190,633)
Public safety	2,285,892	2,328,092	1,965,022	363,070
Public works	733,372	813,872	810,390	3,482
Community development	813,279	1,050,679	1,113,704	(63,025)
Culture and recreation	270,519	298,519	235,171	63,348
Capital outlay	581,015	1,456,317	937,570	518,747
Debt service:				
Principal	20,000	-	20,000	(20,000)
Interest and fiscal charges	30,000	-	28,327	(28,327)
Total expenditures	6,028,909	7,383,361	6,736,699	646,662
Excess (deficiency) of revenues over (under) expenditures	467,529	655,296	3,747,353	3,092,057
OTHER FINANCING SOURCES (USES)				
Operating transfers in	722,887	722,887	-	(722,887)
Operating transfers out	(834,931)	(690,931)	(467,810)	223,121
Proceeds from long-term debt	-	-	610,420	610,420
Total other financing sources (uses)	(112,044)	31,956	142,610	110,654
Net change in fund balances	355,485	687,252	3,889,963	3,202,711
Fund balances - beginning	8,966,667	8,966,667	8,966,667	-
Fund balances - ending	\$ 9,322,152	\$ 9,653,919	\$ 12,856,630	\$ 3,202,711

CITY OF FOWLER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amount			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Use of money and property	\$ 460	\$ 400	\$ -	\$ (400)
Charges for services	<u>495,000</u>	<u>1,680,249</u>	<u>2,034,591</u>	<u>354,342</u>
Total revenues	<u>495,460</u>	<u>1,680,649</u>	<u>2,034,591</u>	<u>353,942</u>
EXPENDITURES				
Current:				
Public safety	200,000	200,000	10,732	189,268
Public works	-	10,510	43,752	(33,242)
Culture and recreation	-	-	4,897	(4,897)
Capital outlay	<u>68,000</u>	<u>68,000</u>	<u>54,122</u>	<u>13,878</u>
Total expenditures	<u>268,000</u>	<u>278,510</u>	<u>113,503</u>	<u>165,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>227,460</u>	<u>1,402,139</u>	<u>1,921,088</u>	<u>518,949</u>
Net change in fund balances	227,460	1,402,139	1,921,088	518,949
Fund balances - beginning	<u>3,607,157</u>	<u>3,607,157</u>	<u>3,607,157</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,834,617</u>	<u>\$ 5,009,296</u>	<u>\$ 5,528,245</u>	<u>\$ 518,949</u>

CITY OF FOWLER
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, 2022

	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability	0.0357%	0.0472%	0.0446%	0.0440%	0.0445%	0.0446%	0.0449%	0.0567%
Proportionate share of the net pension liability	\$ 2,241,019	\$ 3,236,451	\$ 3,856,008	\$ 4,363,092	\$ 4,291,238	\$ 4,565,556	\$ 4,881,119	\$ 3,066,067
Covered payroll	\$ 1,558,059	\$ 1,558,059	\$ 1,732,590	\$ 1,783,798	\$ 1,594,792	\$ 1,691,707	\$ 1,820,008	\$ 1,783,377
Proportionate share of the net pension liability as percentage of covered payroll	143.83%	207.72%	222.56%	244.60%	269.08%	269.88%	268.19%	171.92%
Plan fiduciary net position as a percentage of the total pension liability	81.36%	81.36%	69.20%	69.34%	71.42%	71.83%	70.99%	82.62%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - None

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

**CITY OF FOWLER
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2022**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarily required contribution (actuarially determined)	\$ 408,694	\$ 424,070	\$ 453,902	\$ 454,404	\$ 511,142	\$ 585,312	\$ 729,421	\$ 762,905
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>	<u>762,905</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 1,975,880
Contributions as a percentage of covered payroll	26.23%	24.48%	25.45%	28.49%	30.21%	32.16%	40.90%	38.61%

*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, 2022

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 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 **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.

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.

**CITY OF FOWLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Special Revenue Funds								
	Gas Tax	Traffic Congestion Relief	Local Transportation Fund - Article 8	Local Transportation Fund - Article 3	Measure C	Road Maintenance and Rehabilitation Act (SB1)	Community Development Block Grant (CDBG)	Debt Service Fund	Totals
ASSETS									
Cash and investments	\$ 111,094	\$ 14,463	\$ -	\$ 28,669	\$ 1,700,866	\$ 175,896	\$ 657,630	\$ 343,722	\$ 3,032,340
Cash with fiscal agents	-	-	-	-	-	-	-	445,592	445,592
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	2,495	2,495
Assessments receivable	-	-	-	-	-	-	-	6,175	6,175
Intergovernmental receivable	12,923	-	596,527	14,400	18,305	23,883	-	-	666,038
Community loans receivable	-	-	-	-	-	-	273,642	-	273,642
Advances to other funds	-	-	-	-	-	-	-	40,000	40,000
Advances to Successor Agency	-	-	-	-	-	-	-	163,000	163,000
Total assets	<u>\$ 124,017</u>	<u>\$ 14,463</u>	<u>\$ 596,527</u>	<u>\$ 43,069</u>	<u>\$ 1,719,171</u>	<u>\$ 199,779</u>	<u>\$ 931,272</u>	<u>\$ 1,000,984</u>	<u>\$ 4,629,282</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 4,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,034
Due to other funds	-	-	9,613	-	-	-	-	-	9,613
Total liabilities	<u>-</u>	<u>-</u>	<u>13,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,647</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	-	-	596,527	14,400	-	-	-	-	610,927
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>596,527</u>	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,927</u>
FUND BALANCES									
Restricted:									
Public works	124,017	14,463	-	28,669	1,719,171	199,779	-	-	2,086,099
Community development	-	-	-	-	-	-	931,272	-	931,272
Long-term debt	-	-	-	-	-	-	-	1,000,984	1,000,984
Unassigned	-	-	(13,647)	-	-	-	-	-	(13,647)
Total fund balances	<u>124,017</u>	<u>14,463</u>	<u>(13,647)</u>	<u>28,669</u>	<u>1,719,171</u>	<u>199,779</u>	<u>931,272</u>	<u>1,000,984</u>	<u>4,004,708</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 124,017</u>	<u>\$ 14,463</u>	<u>\$ 596,527</u>	<u>\$ 43,069</u>	<u>\$ 1,719,171</u>	<u>\$ 199,779</u>	<u>\$ 931,272</u>	<u>\$ 1,000,984</u>	<u>\$ 4,629,282</u>

CITY OF FOWLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds								
	Gas Tax	Traffic Congestion Relief	Local Transportation Fund - Article 8	Local Transportation Fund - Article 3	Measure C	Road Maintenance and Rehabilitation Act (SB1)	Community Development Block Grant (CDBG)	Debt Service Fund	Totals
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,622	\$ 197,622
Intergovernmental revenue	158,800	-	-	-	320,212	134,331	-	-	613,343
Use of money and property	-	-	-	-	389	-	235,469	72,686	308,544
Total revenues	158,800	-	-	-	320,601	134,331	235,469	270,308	1,119,509
EXPENDITURES									
Current:									
General governmental	-	-	-	-	-	-	-	3,813	3,813
Public works	-	-	53,105	-	-	-	-	-	53,105
Capital outlay	-	-	-	-	10,813	-	-	-	10,813
Debt service									
Principal	-	-	-	-	-	-	-	345,000	345,000
Interest and fiscal charges	-	-	-	-	-	-	-	114,678	114,678
Total expenditures	-	-	53,105	-	10,813	-	-	463,491	527,409
Excess (deficiency) of revenues over (under) expenditures	158,800	-	(53,105)	-	309,788	134,331	235,469	(193,183)	592,100
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	-	-	-	-	172,455	172,455
Operating transfers out	(97,600)	-	-	-	-	-	-	-	(97,600)
Total other financing sources (uses)	(97,600)	-	-	-	-	-	-	172,455	74,855
Net change in fund balances	61,200	-	(53,105)	-	309,788	134,331	235,469	(20,728)	666,955
Fund balances - beginning	62,817	14,463	39,458	28,669	1,409,383	65,448	695,803	1,021,712	3,337,753
Fund balances - ending	\$ 124,017	\$ 14,463	\$ (13,647)	\$ 28,669	\$ 1,719,171	\$ 199,779	\$ 931,272	\$ 1,000,984	\$ 4,004,708

CITY OF FOWLER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation			
Passed through California Department of Transportation			
Highway Planning and Construction	20.205	CML-5173(025)	\$ 1,433
Highway Planning and Construction	20.205	CML-5173(030)	1,050
Highway Planning and Construction	20.205	CML-5173(034)	2,640
Highway Planning and Construction	20.205	STPL-5173(033)	286,770
Highway Planning and Construction	20.205	STPL-5173(035)	629,681
Highway Planning and Construction	20.205	STPL-5173(036)	5,498
Highway Planning and Construction	20.205	STPL-5173(037)	<u>14,499</u>
Total U.S. Department of Transportation			<u>941,571</u>
U.S. Department of the Treasury			
Passed through California Department of Finance			
Coronavirus State and Local Fiscal Recovery Funds			
California Arrearage Payment Program (CAPP)	21.027	N/A	141,949
American Rescue Plan Act	21.027	N/A	<u>1,624,312</u>
Total U.S. Department of the Treasury			<u>1,766,261</u>
U.S. Department of Agriculture			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	N/A	<u>30,401</u>
Total U.S. Department of Agriculture			<u>30,401</u>
<i>Total Federal Expenditures</i>			<u><u>\$ 2,738,233</u></u>

CITY OF FOWLER

NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Note 1 – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Fowler, California (the “City”). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the SEFA. The City’s reporting entity is defined in Note 1 to the City’s basic financial statements.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City’s basic financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City’s basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and the enterprise funds.

Note 5 – Indirect Cost Rate

The City did not elect to use the 10% de minimus cost rate as covered in 2 CFR §200.414.

OTHER INDEPENDENT AUDITOR'S REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fowler, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on Internal Control 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 designing 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 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*.

Purpose of This Report

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

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

May 30, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fowler, California (the "City")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

May 30, 2023

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FINDINGS AND QUESTIONED COSTS

CITY OF FOWLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Non-compliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516? ☐ Yes ☒ No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
16.607	Coronavirus State and Local Fiscal Recovery Funds
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

B. Findings – Financial Statements Audit

None noted.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

CITY OF FOWLER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2022

Finding 2021-001:	Internal Controls – Water Consumer Deposits (Significant Deficiency) - Implemented
Finding 2021-002:	Internal Controls – Water Consumer Overpayments and Accounts Receivable (Material Weakness) – Implemented
Finding 2021-003:	Internal Controls – Closing Books (Material Weakness) – Implemented
Finding 2021-004:	Internal Controls – Cash (Material Weakness) – Implemented
Finding 2021-005:	Internal Controls – Expenditures and Credit Cards (Material Weakness) – Implemented
Finding 2021-006:	Internal Controls – Building Permit and Impact Fees (Material Weakness) – Implemented