

**CITY OF ISLETON
ISLETON, CALIFORNIA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**CITY OF ISLETON
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Isleton, California

Report on the Financial Statements

I have audited the accompanying financial statements of the City of Isleton, California which comprise the Statement of Net Position and Governmental Fund Balance Sheet, as of June 30, 2016, and the related Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinions

In my 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 of Isleton, California as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 15, 2018, on my consideration of the City of Isleton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Isleton's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the Required Supplementary Information as listed in the table of contents on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Isleton, California's basic financial statements. The fund financial statements and the accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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. Such information has been subjected to 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Don Cole & Company
Sacramento, California

May 15, 2018

**CITY OF ISLETON
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Isleton we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and to identify any material changes in the approved operating and capital budgets.

Financial Highlights – Primary Government

- The City's net position at the end of the year was \$1,230,731, a decrease of \$111,616 due to current year operations. The portion of the City's net position that were unrestricted and available to meet ongoing obligations to citizens and creditors totaled a deficit of \$1,428,430.
- The government net position decreased by \$76,971 due to operations and the business-type net position decreased by \$34,645 due to operations.

Program revenues from governmental activities decreased \$45,361 or 16.6%. Program revenues from business-type activities increased by \$30,457 or 6.6%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are comprised of the *Statement of net position* and *Statement of activities and changes in net position*. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. This statement, unlike previous financial statements prior to implementing GASB 34, combines and consolidates the governmental funds' current financial resources with capital assets and long-term obligations. The *Statement of activities and changes in net position* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest expense due but unpaid). Both of the above government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and roads, community development and recreation and parks. The business-type activities of the City include the municipal utility - wastewater collection and treatment.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds and proprietary funds. The fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such

information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has ten governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's major funds – the General Fund and the Transportation Development Fund.

Proprietary Funds. The City maintains proprietary enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the wastewater collection and treatment.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing budgetary comparison schedules for the General Fund, and Transportation Development Fund.

Budgetary Highlights - Current Year Impacts. The City's budget was adopted and not amended during the year. This author does not have information to make statement on tax revenues for FY15 relative to budget, Charges For Services relative to budget, General government expenditures relative to budget, and the Public ways and facilities relative to budget.

Government-Wide Statements

Statement of Net Position 6/30/2016

	Government Activities		Business Type Activities		Total Primary Government	
	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>
Current and other assets	\$ 232,185	\$ 297,850	\$ 367,654	\$ 424,737	\$ 599,839	\$ 722,587
Capital assets	<u>2,451,534</u>	<u>2,367,385</u>	<u>2,735,290</u>	<u>2,627,464</u>	<u>5,186,824</u>	<u>4,994,849</u>
Total assets	<u>\$ 2,683,719</u>	<u>\$ 2,665,235</u>	<u>\$ 3,102,944</u>	<u>\$ 3,052,201</u>	<u>\$ 5,786,663</u>	<u>\$ 5,717,436</u>
Total deferred outflow of resources	<u>\$ 54,482</u>	<u>\$ 51,615</u>	<u>\$ 116,581</u>	<u>\$ 110,476</u>	<u>\$ 171,063</u>	<u>\$ 162,091</u>
Current and other liabilities	\$ 654,484	\$ 132,068	\$ 98,494	\$ 109,291	\$ 752,978	\$ 241,359
Liabilities due after one year	<u>5,395</u>	<u>668,286</u>	<u>2,865,300</u>	<u>2,832,300</u>	<u>2,870,695</u>	<u>3,500,586</u>
Total liabilities	<u>\$ 659,879</u>	<u>\$ 800,354</u>	<u>\$ 2,963,794</u>	<u>\$ 2,941,591</u>	<u>\$ 3,623,673</u>	<u>\$ 3,741,945</u>
Total deferred inflow of resources	<u>\$ 957,232</u>	<u>\$ 906,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957,232</u>	<u>\$ 906,851</u>
Net Position:						
Investment in capital assets net of related debt	2,451,534	2,367,385	(167,210)	(237,836)	2,284,324	2,129,549
Restricted	529,612	529,612	-	-	529,612	529,612
Unrestricted	<u>(1,860,056)</u>	<u>(1,887,352)</u>	<u>422,941</u>	<u>458,922</u>	<u>(1,437,115)</u>	<u>(1,428,430)</u>
Total net position	<u>\$ 1,121,090</u>	<u>\$ 1,009,645</u>	<u>\$ 255,731</u>	<u>\$ 221,086</u>	<u>\$ 1,376,821</u>	<u>\$ 1,230,731</u>

Statement of Activities
For the year ended June 30, 2016

	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	FY 14/15	FY 15/16	FY 14/15	FY 15/16	FY 14/15	FY 15/16
Governmental activities						
General government	\$ 307,415	\$ 286,851	\$ 166,027	\$ 52,396	\$ (141,388)	\$ (234,455)
Public safety	295,065	314,484	98,042	164,356	(197,023)	(150,128)
Parks & recreation	10,021	9,945	-	-	(10,021)	(9,945)
Public ways and facilities	134,086	137,392	9,336	11,292	(124,750)	(126,100)
Community development	-	-	-	-	-	-
Total Governmental activities	746,587	748,671	273,405	228,044	(473,182)	(520,627)
			General revenues:			
					403,545	396,046
					-	4,592
					20,472	44,343
					21,756	(1,325)
					-	-
					-	-
					445,773	443,656
					(27,409)	(76,971)
			Net Position:			
					1,148,499	1,121,090
					-	34,474
					1,148,499	1,086,616
					\$ 1,121,090	\$ 1,009,645
Business-type activities						
Sewer	549,163	465,985	464,253	494,710	\$ (84,910)	\$ 28,725
USDA Sewer Project	84,838	84,096	-	-	(84,838)	(84,096)
Solid Waste	-	-	-	-	-	-
Total business-type activities	634,001	550,081	464,253	494,710	(169,748)	(55,371)
Total primary government	\$ 1,380,588	\$ 1,298,752	\$ 548,999	\$ 722,754		
			General revenues:			
					-	78
					22,348	19,323
					(21,756)	1,325
					-	-
					592	20,726
					(169,156)	(34,645)
			Net Position:			
					424,887	255,731
					-	-
					424,887	255,731
					\$ 255,731	\$ 221,086

Fund Financial Statements

Governmental Funds. The fund financial statements present financial data for the general, special revenue, capital projects and fiduciary funds. At the close of Fiscal Year 2015/2016, the City's governmental funds reported a combined deficit ending fund balance of \$501,368 – a decrease of \$39,942 (\$5,468 of which is due to operations) or 8.1%.

Business Type Funds. The City's proprietary funds, excluding internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the business-type net position decreased by \$34,645 due to operations.

Capital Assets and Debt Administration

Capital assets net of depreciation as of June 30,

	Governmental		Business-type		Total	
	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>
Capital assets, not being depreciated:						
Land	\$ 310,360	\$ 310,360	\$ 63,000	\$ 63,000	\$ 373,360	\$ 373,360
Total nondepreciable assets	<u>310,360</u>	<u>310,360</u>	<u>63,000</u>	<u>63,000</u>	<u>373,360</u>	<u>373,360</u>
Depreciable capital assets:						
Buildings and improvements	2,038,143	1,976,094	2,593,708	2,504,141	4,631,851	4,480,235
Equipment	<u>103,031</u>	<u>80,931</u>	<u>78,582</u>	<u>60,323</u>	<u>181,613</u>	<u>141,254</u>
Total depreciable assets	<u>2,141,174</u>	<u>2,057,025</u>	<u>2,672,290</u>	<u>2,564,464</u>	<u>4,813,464</u>	<u>4,621,489</u>
Total	<u>\$ 2,451,534</u>	<u>\$ 2,367,385</u>	<u>\$ 2,735,290</u>	<u>\$ 2,627,464</u>	<u>\$ 5,186,824</u>	<u>\$ 4,994,849</u>

Outstanding debt as of June 30,

	Governmental		Business-type		Total	
	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>FY 15/16</u>
Installments payable	\$ -	\$ 681,105	\$ -	\$ -	\$ 5,395	\$ 681,105
Compensated absences	5,395	1,136	-	-	-	1,136
Certificates of participation	-	-	987,500	970,300	987,500	970,300
Series 2015 Bonds	-	-	<u>1,915,000</u>	<u>1,895,000</u>	<u>1,915,000</u>	<u>1,895,000</u>
Total	<u>\$ 5,395</u>	<u>\$ 682,241</u>	<u>\$ 2,902,500</u>	<u>\$ 2,865,300</u>	<u>\$ 2,907,895</u>	<u>\$ 3,547,541</u>

Contacting the City

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City at 101 Second Street, Isleton, California 95641, telephone (916) 777-7771.

**CITY OF ISLETON
BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

**CITY OF ISLETON
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 136,320	\$ 189,393	\$ 325,713
Receivables:			
Accounts	5,976	65,370	71,346
Taxes	133,781	-	133,781
Prepays	-	-	-
Due from business-type funds	21,773	-	21,773
Restricted cash	-	169,974	169,974
Capital assets	4,273,520	3,540,581	7,814,101
Accumulated depreciation	<u>(1,906,135)</u>	<u>(913,117)</u>	<u>(2,819,252)</u>
Total assets	<u>\$ 2,665,235</u>	<u>\$ 3,052,201</u>	<u>\$ 5,717,436</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss	\$ 51,615	\$ 110,476	\$ 162,091
Total deferred outflows of resources	<u>\$ 51,615</u>	<u>\$ 110,476</u>	<u>\$ 162,091</u>
LIABILITIES:			
Payables:			
Accounts	\$ 114,906	\$ 6,481	\$ 121,387
Salaries and benefits	3,008	-	3,008
Interest	-	48,037	48,037
Deposits	199	-	199
Due to governmental funds	-	21,773	21,773
Long-term debt:			
Due within one year	13,955	33,000	46,955
Due after one year	668,286	2,832,300	3,500,586
Total liabilities	<u>\$ 800,354</u>	<u>\$ 2,941,591</u>	<u>\$ 3,741,945</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain	\$ 906,851	\$ -	\$ 906,851
Total deferred inflows of resources	<u>\$ 906,851</u>	<u>\$ -</u>	<u>\$ 906,851</u>
NET POSITION:			
Invested in capital assets, net of related debt	\$ 2,367,385	\$ (237,836)	\$ 2,129,549
Restricted for low/moderate housing	529,612	-	529,612
Unrestricted	<u>(1,887,352)</u>	<u>458,922</u>	<u>(1,428,430)</u>
Total net position	<u>\$ 1,009,645</u>	<u>\$ 221,086</u>	<u>\$ 1,230,731</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 286,851	\$ 11,199	\$ 41,197	\$ (234,455)	\$ -	\$ (234,455)
Public safety	314,484	819	163,537	(150,128)	-	(150,128)
Parks & recreation	9,945	-	-	(9,945)	-	(9,945)
Public ways and facilities	137,392	11,292	-	(126,100)	-	(126,100)
Community development	-	-	-	-	-	-
Total governmental activities	<u>\$ 748,671</u>	<u>\$ 23,310</u>	<u>\$ 204,734</u>	<u>(520,627)</u>	<u>-</u>	<u>(520,627)</u>
Business-type activities						
Sewer	\$ 465,985	\$ 494,710	\$ -	-	28,725	28,725
USDA Sewer Project	84,096	-	-	-	(84,096)	(84,096)
Solid Waste	-	-	-	-	-	-
Total business-type activities	<u>\$ 550,081</u>	<u>\$ 494,710</u>	<u>\$ -</u>	<u>-</u>	<u>(55,371)</u>	<u>(55,371)</u>
General revenues:						
Taxes:						
Property						
				244,964	-	244,964
Sales and use						
				119,101	-	119,101
Franchise						
				31,711	-	31,711
Transient occupancy						
				270	-	270
Other:						
Interest						
				4,592	78	4,670
Transfers - internal activity						
				(1,325)	1,325	-
Miscellaneous revenue						
				44,343	19,323	63,666
Total general revenues and other						
				443,656	20,726	464,382
Change in net position						
				(76,971)	(34,645)	(111,616)
Net position, beginning of year						
				1,121,090	255,731	1,376,821
Prior period adjustment						
				(34,474)	-	(34,474)
Net position, beginning of year - restated						
				1,086,616	255,731	1,342,347
Net position, end of year						
				<u>\$ 1,009,645</u>	<u>\$ 221,086</u>	<u>\$ 1,230,731</u>

See accompanying notes to basic financial statement

**CITY OF ISLETON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Major				Nonmajor	Total Governmental Funds
	General Fund	Supplemental Law Enforcement	Redevelopment Agency	Redevelopment Low Income	Total Other Funds	
ASSETS:						
Cash and investments	\$ 84,307	\$ 22,258	\$ -	\$ 444	\$ 29,311	\$ 136,320
Receivables:						
Accounts	5,539	-	-	-	437	5,976
Taxes	93,204	40,577	-	-	-	133,781
Prepays	-	-	-	-	-	-
Due from other funds	-	-	580,798	529,168	243,436	1,353,402
Restricted cash	-	-	-	-	-	-
Total assets	<u>\$ 183,050</u>	<u>\$ 62,835</u>	<u>\$ 580,798</u>	<u>\$ 529,612</u>	<u>\$ 273,184</u>	<u>\$ 1,629,479</u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Payables:						
Accounts	\$ 112,364	\$ -	\$ -	\$ -	\$ 2,542	\$ 114,906
Salaries & benefits	3,008	-	-	-	-	3,008
Installments	681,105	-	-	-	-	681,105
Deposits	-	-	-	-	199	199
Due to other funds	<u>1,060,502</u>	<u>87,699</u>	<u>-</u>	<u>-</u>	<u>183,428</u>	<u>1,331,629</u>
Total liabilities	<u>1,856,979</u>	<u>87,699</u>	<u>-</u>	<u>-</u>	<u>186,169</u>	<u>2,130,847</u>
Fund Balances:						
Restricted	-	-	-	529,612	-	529,612
Unassigned	<u>(1,673,929)</u>	<u>(24,864)</u>	<u>580,798</u>	<u>-</u>	<u>87,015</u>	<u>(1,030,980)</u>
Total fund balances	<u>(1,673,929)</u>	<u>(24,864)</u>	<u>580,798</u>	<u>529,612</u>	<u>87,015</u>	<u>(501,368)</u>
Total liabilities and fund balances	<u>\$ 183,050</u>	<u>\$ 62,835</u>	<u>\$ 580,798</u>	<u>\$ 529,612</u>	<u>\$ 273,184</u>	<u>\$ 1,629,479</u>

See accompanying notes to basic financial statement

**CITY OF ISLETON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances, governmental funds \$ (501,368)

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

Amounts reported for governmental activities associated with the funding of the Isleton Financing Authority's purchase of the City's sewer system are not short term financial resources or uses and therefore are not reported as assets/liabilities in the governmental funds.

Deferred outflows of resources	51,615	
Deferred inflows of resources	(906,851)	(855,236)

Amounts reported for governmental activities are not short term financial resources and therefore are not reported as assets in governmental funds.

Historical acquisition cost	4,273,520	
Accumulated depreciation	(1,906,135)	2,367,385

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Compensated absences payable		(1,136)

Total net position – governmental funds \$ 1,009,645

See accompanying notes to basic financial statements

**CITY OF ISLETON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Major				Nonmajor	Total Governmental Funds
	General Fund	Supplemental Law Enforcement	Redevelopment Agency	Redevelopment Low Income	Total Other Funds	
REVENUES						
Taxes	\$ 305,381	\$ -	\$ -	\$ -	\$ 23,759	\$ 329,140
Licenses and permits	78,198	-	-	-	-	78,198
Fines and penalties	819	-	-	-	-	819
Use of money	4,562	14	-	-	16	4,592
Charges for services	197	-	-	-	11,002	11,199
Intergovernmental	1,953	163,537	-	-	39,244	204,734
Miscellaneous	<u>44,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,343</u>
Total revenues	<u>435,453</u>	<u>163,551</u>	<u>-</u>	<u>-</u>	<u>74,021</u>	<u>673,025</u>
EXPENDITURES						
General government	260,100	-	-	-	67,334	327,434
Public safety	124,447	163,551	-	-	-	287,998
Parks & recreation	5,543	-	-	-	-	5,543
Public ways and facilities	59,595	-	-	-	35,725	95,320
Community development	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>449,685</u>	<u>163,551</u>	<u>-</u>	<u>-</u>	<u>103,059</u>	<u>716,295</u>
Excess of revenues over (under) expenditures	<u>(14,232)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,038)</u>	<u>(43,270)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	5,011	360,203	-	-	82,794	448,008
Transfers out	<u>(360,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,003)</u>	<u>(410,206)</u>
Total other financing sources(uses)	<u>(355,192)</u>	<u>360,203</u>	<u>-</u>	<u>-</u>	<u>32,791</u>	<u>37,802</u>
Net change in fund balance	<u>(369,424)</u>	<u>360,203</u>	<u>-</u>	<u>-</u>	<u>3,753</u>	<u>(5,468)</u>
Fund balance (deficit), beginning of year	(1,563,316)	(385,067)	580,798	529,612	376,547	(461,426)
Prior period adjustment	<u>258,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,285)</u>	<u>(34,474)</u>
Fund balance (deficit), beginning of year, restated	<u>(1,304,505)</u>	<u>(385,067)</u>	<u>580,798</u>	<u>529,612</u>	<u>83,262</u>	<u>(495,900)</u>
Fund balance (deficit), end of the year	<u>\$ (1,673,929)</u>	<u>\$ (24,864)</u>	<u>\$ 580,798</u>	<u>\$ 529,612</u>	<u>\$ 87,015</u>	<u>\$ (501,368)</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016**

Total net change in fund balance, governmental funds \$ (5,468)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in government funds because:

Capital outlays are reported in government funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Depreciation (84,149)

In governmental funds, long-term debt is measured by the amounts paid during the period. In the government-wide statement of activities, long-term debt is measured by the change in the liability. The difference between long-term debt paid and long-term debt earned is:

Change in compensated absences 4,259

Gains and losses as well as certain costs associated with the Isleton Financing Authority's sale of the City's sewer system are not short term financial resources or uses and therefore are not reported as revenues/expenditures in the governmental funds.

Amortization of deferred expenses 47,514

Transfers in from the Agency funds (39,127)

Change in net position – governmental activities \$ (76,971)

See accompanying notes to basic financial statements

**CITY OF ISLETON
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Major Funds		Total Other Funds	Total
	Sewer	USDA Sewer Project		
ASSETS:				
Cash and investments	\$ 46,578	\$ 141,169	\$ 1,646	\$ 189,393
Accounts receivable	65,370	-	-	65,370
Due from other funds	859,790	-	-	859,790
Restricted cash	169,974	-	-	169,974
Capital assets	1,529,168	2,011,413	-	3,540,581
Accumulated depreciation	(488,032)	(425,085)	-	(913,117)
Total assets	<u>\$ 2,182,848</u>	<u>\$ 1,727,497</u>	<u>\$ 1,646</u>	<u>\$ 3,911,991</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred loss	\$ 110,476	\$ -	\$ -	\$ 110,476
Total deferred outflows of resources	<u>\$ 110,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,476</u>
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Payables:				
Accounts	\$ 6,481	\$ -	\$ -	\$ 6,481
Interest	48,037	-	-	48,037
Due to other funds	-	881,563	-	881,563
Long-term debt:				
Certificate of participation	-	970,300	-	970,300
2016 Bonds	1,895,000	-	-	1,895,000
Total liabilities	<u>\$1,949,518</u>	<u>\$ 1,851,863</u>	<u>\$ -</u>	<u>\$ 3,801,381</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred gain	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Unrestricted	\$ 343,806	\$ (124,366)	\$ 1,646	\$ 221,086
Total net position	<u>\$ 343,806</u>	<u>\$ (124,366)</u>	<u>\$ 1,646</u>	<u>\$ 221,086</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGE IN FUND NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2016**

	Major Funds		Total Other Funds	Total
	Sewer	USDA Sewer Project		
Operating revenues:				
Charges for service	\$ 494,710	\$ -	\$ -	\$ 494,710
Other	<u>18,677</u>	<u>646</u>	-	<u>19,323</u>
Total operating revenues	<u>513,387</u>	<u>646</u>	-	<u>514,033</u>
Operating expenses:				
Salaries and benefits	107,541	-	-	107,541
Services and supplies	13,289	-	-	13,289
Maintenance and operations	56,708	-	-	56,708
General and administration	69,818	-	-	69,818
Depreciation/amortization	<u>74,273</u>	<u>39,658</u>	-	<u>113,931</u>
Total operating expenses	<u>321,629</u>	<u>39,658</u>	-	<u>361,287</u>
Operating income (loss)	<u>191,758</u>	<u>(39,012)</u>	-	<u>152,746</u>
Non-operating revenues (expenses):				
Interest revenue	-	77	1	78
Intergovernmental	-	-	-	-
Transfers in/(out)	(124,037)	124,037	1,325	1,325
Interest expense	<u>(144,356)</u>	<u>(44,438)</u>	-	<u>(188,794)</u>
Total non-operating revenues (expense)	<u>(268,393)</u>	<u>79,676</u>	<u>1,326</u>	<u>(187,391)</u>
Changes in net position	(76,635)	40,664	1,326	(34,645)
Net position, beginning of year	<u>420,441</u>	<u>(165,030)</u>	<u>320</u>	<u>255,731</u>
Net position, end of year	<u>\$ 343,806</u>	<u>\$ (124,366)</u>	<u>\$ 1,646</u>	<u>\$ 221,086</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	Major Funds		Total Other Funds	Total
	Sewer	USDA Sewer Project		
Cash flows from operating activities				
Cash received from operating revenues	\$ 520,649	\$ 646	\$ -	\$ 521,295
Cash paid to employees for services	(107,541)	-	-	(107,541)
Cash paid for operating expenses	(144,935)	-	-	(144,935)
Net cash provided by operating activities	<u>268,173</u>	<u>646</u>	<u>-</u>	<u>268,819</u>
Cash flows from non-capital financing activities				
Cash received from other funds	21,498	378	(1,325)	20,551
Transfer from/(to) other fund types	(124,037)	124,037	1,325	1,325
Net cash provided by non-capital financing activities	<u>(102,539)</u>	<u>124,415</u>	<u>-</u>	<u>21,876</u>
Cash flows from capital and related financing activities				
Payments on long-term debt	(20,000)	(17,200)	-	(37,200)
Interest and fiscal charges	(144,790)	(44,438)	-	(189,228)
Net cash provided (used) by capital and related financing activities	<u>(164,790)</u>	<u>(61,638)</u>	<u>-</u>	<u>(226,428)</u>
Cash flows from investing activities				
Interest earnings	-	77	1	78
Net cash provided by investing activities	<u>-</u>	<u>77</u>	<u>1</u>	<u>78</u>
Net increase (decrease) in cash and cash equivalents	844	63,500	1	64,345
Cash and cash equivalents – beginning of the year	<u>215,708</u>	<u>77,669</u>	<u>1,645</u>	<u>295,022</u>
Cash and cash equivalents – end of the year	<u>\$ 216,552</u>	<u>\$ 141,169</u>	<u>\$ 1,646</u>	<u>\$ 359,367</u>
Reconciliation of operating income to net cash				
Provided (used) by operating activities:				
Operating income	\$ 191,758	\$ (39,012)	\$ -	\$ 152,746
Adjustments to reconcile operating income to Net cash provided (used) by operating activities:				
Depreciation and amortization	74,273	39,658	-	113,931
(Increase) decrease in accounts receivable	7,262	-	-	7,262
Increase (decrease) in accounts payable	(5,120)	-	-	(5,120)
Net cash provided by operating activities	<u>\$ 268,173</u>	<u>\$ 646</u>	<u>\$ -</u>	<u>\$ 268,819</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Agency</u>
ASSETS:	
Cash and investments	\$ -
Due from other funds	-
Loan to general fund	<u>-</u>
Total assets	<u>\$ -</u>
LIABILITIES	
Agency fund held for others	<u>\$ -</u>
Total liabilities	<u>\$ -</u>

See accompanying notes to basic financial statements

CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The City operates under a Council Manager form of government and provides the following services: public safety, highways and streets, health and sanitation, culture-recreation, public improvements, planning and zoning, general administrative services, and sewer.

The government-wide financial statements include the City only (known as the primary government). There are no component or blended component units that are part of the City's operations.

C. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the City, and its component units. 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, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on 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 clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program 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.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities, revenues and expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The City reports the following major governmental funds:

- General fund
- Supplemental Law Enforcement fund
- Redevelopment Agency fund
- Redevelopment Agency – Low Income Housing fund

The City reports the following major proprietary funds:

- Sewer fund
- USDA Sewer Project fund

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

The government-wide, proprietary, and agency fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 enterprise funds are charges to customers for sales and services.

Operating expenses for enterprise 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.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the City's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the City's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the required supplementary information.

F. Fair Value Measurements

The City uses a framework for defining and measuring fair value, in accordance with generally accepted accounting principles, which maximizes the use of observable inputs and minimizes the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value; Level 1 uses quoted prices and active markets for identical assets or liabilities when determining fair market value; Level 2 uses non active quoted prices for similar assets and liabilities that can be corroborated with market data; and Level 3 uses unobservable information with little or no market data. The City reports assets and liabilities using Level 1 inputs.

G. Cash and Investments

Cash balances of the majority of City funds are pooled in order to maximize investment opportunities. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's overall cash balance.

Certain proceeds of enterprise funds, revenue bonds, certificates of participation, and loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments because their use is legally restricted. Restricted cash and investments are not available for general operational expenses.

For purposes of the statement of cash flows, the City considers all highly liquid investment instruments purchased with a maturity of ninety days or less to be cash and cash equivalents.

H. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables.

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are defined by the City as an asset with a cost greater than \$1,000 and a useful life of more than one year.

Equipment reported in the financial statements is reported at actual historical cost. Structures and improvements, land, and infrastructure have been stated at actual cost when available or estimated historical cost. Estimated historical cost was arrived at by a variety of methods. Contributed capital assets are recorded at estimated fair market value at the date of donation. Sewer funds assets are recorded at their fair market value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets.

GASB No. 34 requires most governmental agencies to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	20-50
Machinery & equipment	3-20
Infrastructure	20-75

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred expenses and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

K. Compensated Absences

The City's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The City includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

L. Deferred Outflows/Inflows of Resources

The objective of Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

M. Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Assets/Fund Balances (continued)

In the governmental fund financial statements, restricted and unassigned segregate portions of fund balance. Restricted fund balances are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

As of June 30, 2016, restricted fund balance included:

- Redevelopment Low Income - to reflect the portion of assets which do not represent available, spendable resources.

N. Revenue Limit/Property Tax

The State of California's Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the county, cities, school districts, and other districts.

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates	November 1 (1 st installment) February 1 (2 nd installment)	July 1
Delinquent dates	December 10 (1 st installment) April 10 (2 nd installment)	August 31

O. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

P. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2016:

Deposits	\$ 494,369
Local agency investment fund	<u>1,318</u>
Total Cash	<u>\$ 495,687</u>

Per the City's financial statements:

Primary government	\$ 325,713
Restricted cash	<u>169,974</u>
Total Cash	<u>\$ 495,687</u>

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize a City's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a City's deposits. California law also allows financial institutions to collateralize City deposits by pledging first trust deed mortgage notes having a value of 150 percent of a City's total deposits. The City may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit insurance.

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$474,348 and the bank balance was \$487,544. The difference between the bank balance and the carrying amount represents outstanding checks, deposits in transit and undeposited funds.

Investments

California statutes authorize state agencies and Cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code Section 53600, Chapter 4 - Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration loans
- Certificate of Deposit placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial paper and medium term corporate notes
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Passbook Savings Account Demand Deposits
- Reverse Repurchase Agreements

All of the City's investments are with the Local Agency Investment Fund which is regulated by the California Government Code under the oversight of the Treasurer of the State of California.

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 3 CAPITAL ASSETS AND DEPRECIATION

Governmental capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 310,360	\$ -	\$ -	\$ 310,360
Total nondepreciable assets	<u>310,360</u>	<u>-</u>	<u>-</u>	<u>310,360</u>
Depreciable capital assets:				
Buildings and improvements	2,881,129	-	-	2,881,129
Equipment	<u>1,082,031</u>	<u>-</u>	<u>-</u>	<u>1,082,031</u>
Total depreciable assets	<u>3,963,160</u>	<u>-</u>	<u>-</u>	<u>3,963,160</u>
Less: accumulated depreciation:				
Buildings and improvements	(842,986)	(62,049)	-	(905,035)
Equipment	<u>(979,000)</u>	<u>(22,100)</u>	<u>-</u>	<u>(1,001,100)</u>
Total accumulated depreciation	<u>(1,821,986)</u>	<u>(84,149)</u>	<u>-</u>	<u>(1,906,135)</u>
Net depreciable assets	<u>2,141,174</u>	<u>(84,149)</u>	<u>-</u>	<u>2,057,025</u>
Net governmental capital assets	<u>\$ 2,451,534</u>	<u>\$ (84,149)</u>	<u>\$ -</u>	<u>\$ 2,367,385</u>

Proprietary fund type capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 63,000	\$ -	\$ -	\$ 63,000
Total nondepreciable assets	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>63,000</u>
Depreciable capital assets:				
Buildings and improvements	3,244,931	-	-	3,244,931
Equipment	<u>232,650</u>	<u>-</u>	<u>-</u>	<u>232,650</u>
Total depreciable assets	<u>3,477,581</u>	<u>-</u>	<u>-</u>	<u>3,477,581</u>
Less: accumulated depreciation:				
Buildings and improvements	(651,223)	(89,567)	-	(740,790)
Equipment	<u>(154,068)</u>	<u>(18,259)</u>	<u>-</u>	<u>(172,327)</u>
Total accumulated depreciation	<u>(805,291)</u>	<u>(107,826)</u>	<u>-</u>	<u>(913,117)</u>
Net depreciable assets	<u>2,672,290</u>	<u>(107,826)</u>	<u>-</u>	<u>2,564,464</u>
Net proprietary fund type capital assets	<u>\$ 2,735,290</u>	<u>\$ (107,826)</u>	<u>\$ -</u>	<u>\$ 2,627,464</u>

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 3 CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 9,219
Public safety	27,295
Public ways and facilities	43,233
Recreation and culture	<u>4,402</u>
Total depreciation expense – governmental functions	<u>\$ 84,149</u>

Depreciation/amortization expense was charged to business-type funds as follows:

Sewer depreciation	\$ 68,168	
Sewer amortization	<u>6,105</u>	74,273
USDA Sewer Project		<u>39,658</u>
Total depreciation and amortization – business-type funds		<u>\$ 113,931</u>

Note 4 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	<u>July 1, 2015</u>	<u>Amortization</u>	<u>June 30, 2016</u>
Deferred outflow of resources:			
Governmental activities	\$ 54,482	\$ (2,867)	\$ 51,615
Business-type activities	<u>116,581</u>	<u>(6,105)</u>	<u>110,476</u>
Total deferred expenses	<u>\$ 171,063</u>	<u>\$ (8,972)</u>	<u>\$ 162,091</u>
Deferred inflow of resources:			
Governmental	<u>\$ 957,232</u>	<u>\$ (50,381)</u>	<u>\$ 906,851</u>
Total deferred revenues	<u>\$ 957,232</u>	<u>\$ (50,381)</u>	<u>\$ 906,851</u>

Note 5 INSTALLMENTS PAYABLE

The City has elected to disclose the following accounts payable as installments payable:

<u>Vendor</u>	<u>Amount</u>
Sacramento County Treasurer (Reclamation District No. 407)	\$ 89,591
Employment Development Department	174,804
Sacramento County Sheriff's Department	350,000
Small Cities Organized Risk Effort	<u>66,710</u>
	<u>\$ 681,105</u>

Sacramento County Treasurer (Reclamation District No. 407) – In January 2016 the City entered into an agreement to pay its unpaid liabilities in installments. At the time of the agreement the unpaid liability was \$99,546.

Employment Development Department – In February 2017 the City entered into an agreement to pay its unpaid liabilities in installments. At the time of the agreement the unpaid liability was \$174,804 plus accrued interest, as applicable.

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5 INSTALLMENTS PAYABLE (continued)

Sacramento County Sheriff's Department – In June 2017 the City Council adopted the Sacramento County Sheriff Quittance Plan. At December 2017 the unpaid liability was \$370,153.

Small Cities Organized Risk Effort – In December 2017 the City Council adopted a payment schedule for assessments outstanding. At the time of the agreement the unpaid assessments were \$81,533.

The annual installment payment requirements as of June 30, 2016 are as follows:

Year ending June 30,	Sacramento County Treasurer	Employment Development Department	Sacramento County Sheriff	Small Cities Organized Risk Effort	Total
2017	\$ 9,955	\$ 4,000	\$ -	\$ -	\$ 13,955
2018	9,955	12,000	43,750	8,153	73,858
2019	9,955	12,000	43,750	8,153	73,858
2020	9,955	12,000	43,750	8,153	73,858
2021	9,955	12,000	43,750	12,230	77,935
2022-2026	38,816	60,000	175,000	30,021	304,837
2027-2031	-	60,000	-	-	60,000
2032	-	2,804	-	-	2,804
Total	<u>\$ 89,591</u>	<u>\$ 174,804</u>	<u>\$ 350,000</u>	<u>\$ 66,710</u>	<u>\$ 681,105</u>

Note 6 LONG-TERM DEBT

A. GOVERNMENTAL FUNDS

Compensated Absences

Accumulated employee vacation leave and earned sick leave represents a liability to the city contingent upon an employee's termination. A liability for these amounts is reported in the governmental funds. Accumulated employee vacation leave and sick leave at June 30, 2016 amounts to \$1,136.

B. ENTERPRISE FUNDS

2004 Certificates of Participation

Public Property Financing Corporation of California Certificates of Participation, City of Isleton Sewer Project Series 2004, dated November 18, 2004, in the amount of \$1,113,500, payable in annual installments of \$1,000 to \$59,000, with an interest rate of 4.5% and maturity on May 1, 2044.

Series 2016 Wastewater Refunding Revenue Bonds

Isleton Public Financing Authority Series 2016 Wastewater Refunding Revenue Bonds, dated May 16, 2016, in the amount of \$1,950,000, payable in annual installments of \$139,893 to \$169,969, with an interest rate of 6.5% to 7.75% and maturity on September 1, 2042.

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6 LONG-TERM DEBT (continued)

C. CHANGES IN LONG-TERM DEBT

Debt paid during the year 2015-16 and the related balance at June 30, 2016, is presented as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>	<u>Due in One Year</u>
GOVERNMENTAL FUNDS					
Compensated absences	\$ 5,395	\$ -	\$ (4,259)	\$ 1,136	\$ -
Total governmental funds	<u>\$ 5,395</u>	<u>\$ -</u>	<u>\$ (4,259)</u>	<u>\$ 1,136</u>	<u>\$ -</u>
ENTERPRISE FUNDS					
Certificates of participation	\$ 987,500	\$ -	\$ (17,200)	\$ 970,300	\$ 18,000
Series 2012 Bonds	<u>1,915,000</u>	<u>-</u>	<u>(20,000)</u>	<u>1,895,000</u>	<u>15,000</u>
Total enterprise funds	<u>\$ 2,902,500</u>	<u>\$ -</u>	<u>\$ (37,200)</u>	<u>\$ 2,865,300</u>	<u>\$ 33,000</u>

D. FUTURE DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity including principal and interest for the enterprise certificate of participation as of June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 43,663	\$ 18,000	\$ 61,663
2018	42,854	18,800	61,534
2019	42,007	19,600	61,607
2020	41,126	20,500	61,626
2021	40,203	21,400	61,603
2022-2026	185,656	122,500	308,156
2027-2031	155,497	152,700	308,197
2032-2036	117,909	190,300	308,209
2037-2041	71,069	237,100	308,169
2042-2044	<u>15,471</u>	<u>169,400</u>	<u>184,871</u>
Total	<u>\$ 755,455</u>	<u>\$ 970,300</u>	<u>\$ 1,725,755</u>

The annual debt service requirements to maturity including principal and interest for enterprise bonds as of June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 143,625	\$ 15,000	\$ 158,625
2018	142,487	20,000	162,487
2019	141,025	25,000	166,025
2020	139,238	30,000	169,238
2021	137,287	30,000	167,287
2022-2026	652,744	185,000	837,744
2027-2031	566,719	275,000	841,719
2032-2036	435,744	405,000	840,744
2037-2041	244,125	600,000	844,125
2042-2044	<u>24,412</u>	<u>310,000</u>	<u>334,412</u>
Total	<u>\$ 2,627,406</u>	<u>\$ 1,895,000</u>	<u>\$ 4,522,406</u>

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 DEFICIT FUND BALANCES

The following funds had deficits in fund balances or retained earnings at June 30, 2016:

Major governmental funds:	
General Fund	1,673,929
Supplemental Law Enforcement	24,864
Other governmental funds:	
Development Deposits	177,918
Major business-type funds:	
USDA Sewer Project	124,366

Note 8 INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables (due from other funds) and payables (due to other funds), as appropriate, and are subject to elimination upon consolidation.

Interfund receivable and payable balances were comprised of the following as of June 30, 2016:

	<u>Due from other funds</u>	<u>Due to other funds</u>
MAJOR GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 1,060,502
Supplemental Law Enforcement	-	87,699
Redevelopment Agency	580,798	-
Redevelopment – Low Income	<u>529,168</u>	<u>-</u>
Total major governmental funds	<u>1,109,966</u>	<u>1,148,201</u>
OTHER GOVERNMENTAL FUNDS		
Local Transportation	87,031	-
Measure A	156,405	-
Developers	<u>-</u>	<u>183,428</u>
Total other governmental funds	<u>243,436</u>	<u>183,428</u>
Total governmental funds	<u>1,353,402</u>	<u>1,331,629</u>
MAJOR BUSINESS-TYPE FUNDS		
Sewer	859,790	-
USDA Sewer Project	<u>-</u>	<u>881,563</u>
Total major business-type funds	<u>859,790</u>	<u>881,563</u>
Total City	<u>\$ 2,213,192</u>	<u>\$ 2,213,192</u>

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8 INTERFUND TRANSACTIONS (continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges to appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund transfers in and out were comprised of the following for the year ending June 30, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR GOVERNMENTAL FUNDS		
General Fund	\$ 5,011	\$ 360,203
Supplemental Law Enforcement	<u>360,203</u>	<u>-</u>
Total major governmental funds	<u>365,214</u>	<u>360,203</u>
OTHER GOVERNMENTAL FUNDS		
Police Evidence Account	96	-
California Law Enforcement Equipment	2,277	-
Parking	-	820
Asset Forfeiture	59	-
Traffic Safety Grant	-	3,114
Parks & Recreation – Wilson	33,198	-
Parks & Recreation – Main Street	-	1,215
Parks & Recreation – Waterfront	-	22,678
Ballpark Account	-	15
FEMA – Firefighters	-	3,646
Oil Recovery	-	18,515
Waterfront Project – Landside	39,659	-
Gas Lease	250	-
Waterfront Project – Waterside	5,703	-
Used Oil Block Grant	<u>1,552</u>	<u>-</u>
Total other governmental funds	<u>82,794</u>	<u>50,003</u>
Total governmental funds	<u>448,008</u>	<u>410,206</u>
MAJOR BUSINESS-TYPE FUNDS		
Sewer	164,789	288,826
USDA Sewer Project	<u>288,826</u>	<u>164,789</u>
Total major business-type funds	<u>453,615</u>	<u>453,615</u>
OTHER BUSINESS-TYPE FUNDS		
Solid Waste	<u>1,325</u>	<u>-</u>
Total business-type funds	<u>454,940</u>	<u>453,615</u>
AGENCY FUNDS		
Sphere & Annexation	-	13,598
Gas Royalties	-	6,438
Cable TV Deposit	<u>-</u>	<u>19,091</u>
Total agency funds	<u>-</u>	<u>39,127</u>
Total City	<u>\$ 902,948</u>	<u>\$ 902,948</u>

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. Obligations and liabilities of these risk pools are the City's responsibility.

Small Cities Organized Risk Effort (SCORE) covers general liability up to \$500,000 per occurrence. The City has no deductible for general liability but is charged back through a retrospective adjustment up to \$25,000 per occurrence. The City has a deductible or uninsured liability of up to \$25,000 per claim for employer practices liability. Once the City deductible is met SCORE becomes responsible for payments of all claims up to the limit. The California Joint Powers Risk Management Authority (CJPRMA) provides coverage above SCORE to \$40,000,000 per occurrence with a sub-limit of \$6,000,000 for employment practices liability. .

The City's contributions with each risk pool equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the risk pool may be obtained from S.C.O.R.E., c/o Alliant Insurance Services, Inc., 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Note 10 COMMITMENTS AND CONTINGENCIES

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

In the natural course of events, the City can be named in lawsuits resulting in legal action against the City from normal operations. No amounts are provided in the accompanying financial statements for such contingencies.

Note 11 RELATED PARTIES

During the 2015/16 fiscal year the duties of the City Manager were performed by the City's contracted engineer.

Note 12 PRIOR PERIOD ADJUSTMENT

The State of California has determined the City accounted for and expended its Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Funds in compliance with requirements. At the time these expenditures were recorded in the General fund rather than the Gas Tax fund, as a result the Gas Tax fund's fund balance was overstated by \$293,285 with an offsetting understatement of the General fund's fund balance.

The Small Cities Organized Risk Effort annual evaluation of pool and member financial conditions under the Dividend and Assessment Plan has determined the fiscal year 2014/15 assessment to be \$34,474.

**CITY OF ISLETON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 12 PRIOR PERIOD ADJUSTMENT (continued)

The following is a summary of the prior period adjustments:

	<u>General Fund</u>	<u>Gas Tax Fund</u>
Highway User Taxes	\$ 293,285	\$ (293,285)
Small Cities Organized Risk Effort	<u>(34,474)</u>	<u>-</u>
Total	<u>\$ 258,811</u>	<u>\$ (293,285)</u>

Note 13 SUBSEQUENT EVENTS

Management of the City has evaluated the events subsequent to June 30, 2016 for disclosure and has determined that as of May 15, 2018 there are no material subsequent events that should be disclosed. If events requiring disclosure have occurred between the balance sheet date and the date the financial statements were available to be issued they would be disclosed here.

**CITY OF ISLETON
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

**CITY OF ISLETON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 328,175	\$ 328,175	\$ 305,381	\$ (22,794)
Licenses and permits	21,811	21,811	78,198	56,387
Fines and penalties	70	70	819	749
Use of money	-	-	4,562	4,562
Charges for services	1,000	1,000	197	(803)
Intergovernmental	175,000	175,000	1,953	(173,047)
Miscellaneous	<u>31,192</u>	<u>31,192</u>	<u>44,343</u>	<u>13,151</u>
Total revenues	<u>557,248</u>	<u>557,248</u>	<u>435,453</u>	<u>(121,795)</u>
EXPENDITURES				
General government	229,640	229,640	260,100	(30,460)
Public safety	221,916	221,916	124,447	97,469
Parks & recreation	-	-	5,543	(5,543)
Public ways and facilities	274,235	274,235	59,595	214,640
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>725,791</u>	<u>725,791</u>	<u>449,685</u>	<u>276,106</u>
Excess of revenues over (under) expenditures	<u>(168,543)</u>	<u>(168,543)</u>	<u>(14,232)</u>	<u>154,311</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,011	5,011
Transfers out	<u>-</u>	<u>-</u>	<u>(360,203)</u>	<u>(360,203)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(355,192)</u>	<u>(355,192)</u>
Net change in fund balance	<u>\$ (168,543)</u>	<u>\$ (168,543)</u>	<u>\$ (369,424)</u>	<u>\$ (200,881)</u>

**CITY OF ISLETON
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2016**

**CITY OF ISLETON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds	Capital Project Funds	Total
ASSETS:			
Cash and investments	\$ 21,749	\$ 7,562	\$ 29,311
Receivables:			
Accounts	-	437	437
Due from other funds	<u>243,436</u>	<u>-</u>	<u>243,436</u>
Total assets	<u>\$ 265,185</u>	<u>\$ 7,999</u>	<u>\$ 273,184</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 252	\$ 2,290	\$ 2,542
Deposits payable	-	199	199
Due to other funds	<u>-</u>	<u>183,428</u>	<u>183,428</u>
Total liabilities	<u>252</u>	<u>185,917</u>	<u>186,169</u>
Fund Balances:			
Unassigned	<u>264,933</u>	<u>(177,918)</u>	<u>87,015</u>
Total fund balances	<u>264,933</u>	<u>(177,918)</u>	<u>87,015</u>
Total liabilities and fund balances	<u>\$ 265,185</u>	<u>\$ 7,999</u>	<u>\$ 273,184</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVNEUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ 23,759	\$ -	\$ 23,759
Use of money	5	11	16
Charges for services	-	11,002	11,002
Intergovernmental	<u>39,244</u>	<u>-</u>	<u>39,244</u>
Total revenues	<u>63,008</u>	<u>11,013</u>	<u>74,021</u>
EXPENDITURES			
General government	35,559	31,775	67,334
Public safety	-	-	-
Parks & recreation	-	-	-
Public ways and facilities	<u>35,725</u>	<u>-</u>	<u>35,725</u>
Total expenditures	<u>71,284</u>	<u>31,775</u>	<u>103,059</u>
Excess of revenues over (under) expenditures	<u>(8,276)</u>	<u>(20,762)</u>	<u>(29,038)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	35,880	46,914	82,794
Transfers out	<u>(50,003)</u>	<u>-</u>	<u>(50,003)</u>
Total other financing sources (uses)	<u>(14,123)</u>	<u>46,914</u>	<u>32,791</u>
Net change in fund balance	<u>(22,399)</u>	<u>26,152</u>	<u>3,753</u>
Fund balance (deficit), beginning of year	580,617	(204,070)	376,547
Prior period adjustment	<u>(293,285)</u>	<u>-</u>	<u>(293,285)</u>
Fund balance (deficit), beginning of year, restated	<u>287,332</u>	<u>(204,070)</u>	<u>83,262</u>
Fund balance, end of the year	<u>\$ 264,933</u>	<u>\$ (177,918)</u>	<u>\$ 87,015</u>

**CITY OF ISLETON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016**

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Sacramento Transportation</u>	<u>Police Evidence Account</u>
ASSETS:				
Cash and investments	\$ 7,959	\$ -	\$ 13,790	\$ -
Accounts receivables	-	-	-	-
Due from other funds	<u>-</u>	<u>87,031</u>	<u>156,405</u>	<u>-</u>
Total assets	<u>\$ 7,959</u>	<u>\$ 87,031</u>	<u>\$ 170,195</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 252	\$ -
Deposits payable	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>252</u>	<u>-</u>
Fund Balances:				
Unassigned	<u>7,959</u>	<u>87,031</u>	<u>169,943</u>	<u>-</u>
Total fund balances	<u>7,959</u>	<u>87,031</u>	<u>169,943</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,959</u>	<u>\$ 87,031</u>	<u>\$ 170,195</u>	<u>\$ -</u>

	<u>California Law Enforcement Equipment</u>	<u>Parking</u>	<u>Asset Forfeiture</u>	<u>Traffic Safety Grant</u>
ASSETS:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivables	-	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ISLETON
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS (continued)
 JUNE 30, 2016**

	Parks & Recreation - Wilson	Parks & Recreation - Main Street	Parks & Recreation - Waterfront	Ball Park Account
ASSETS:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivables	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	FEMA Firefighters	Oil Recovery	Gas Lease	Total
ASSETS:				
Cash and investments	\$ -	\$ -	\$ -	\$ 21,749
Accounts receivables	-	-	-	-
Due from other funds	-	-	-	243,436
	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,436</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,185</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 252
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>252</u>
Fund Balances:				
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,933</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,933</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,185</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Sacramento Transportation</u>	<u>Police Evidence Account</u>
REVENUES				
Taxes	\$ 23,759	\$ -	\$ -	\$ -
Use of money	5	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>39,244</u>	<u>-</u>
Total revenues	<u>23,764</u>	<u>-</u>	<u>39,244</u>	<u>-</u>
EXPENDITURES				
General government	-	-	35,559	-
Public ways and facilities	<u>17,052</u>	<u>18,673</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>17,052</u>	<u>18,673</u>	<u>35,559</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>6,712</u>	<u>(18,673)</u>	<u>3,685</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	96
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>
Net change in fund balance	<u>6,712</u>	<u>(18,673)</u>	<u>3,685</u>	<u>-</u>
Fund balance (deficit), beginning of year	298,532	105,704	166,258	(96)
Prior period adjustment	<u>(293,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), beginning of year, restated	<u>1,247</u>	<u>105,704</u>	<u>166,258</u>	<u>(96)</u>
Fund balance, end of the year	<u>\$ 294,532</u>	<u>\$ 87,031</u>	<u>\$ 169,943</u>	<u>\$ -</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (continued)
NONMAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	California Law Enforcement Equipment	Parking	Asset Forfeiture	Traffic Safety Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General government	-	-	-	-
Public ways and facilities	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,277	-	59	-
Transfers out	-	(820)	-	(3,114)
Total other financing sources (uses)	<u>2,277</u>	<u>(820)</u>	<u>59</u>	<u>(3,114)</u>
Net change in fund balance	<u>2,277</u>	<u>(820)</u>	<u>59</u>	<u>(3,114)</u>
Fund balance (deficit), beginning of year	(2,277)	820	(59)	3,114
Prior period adjustment	-	-	-	-
Fund balance (deficit), beginning of year, restated	<u>(2,277)</u>	<u>820</u>	<u>(59)</u>	<u>3,114</u>
Fund balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (continued)
NONMAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Parks & Recreation - Wilson	Parks & Recreation - Main Street	Parks & Recreation - Waterfront	Ball Park Account
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General government	-	-	-	-
Public ways and facilities	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	33,198	-	-	-
Transfers out	-	(1,215)	(22,678)	(15)
Total other financing sources (uses)	<u>33,198</u>	<u>(1,215)</u>	<u>(22,678)</u>	<u>(15)</u>
Net change in fund balance	<u>33,198</u>	<u>(1,215)</u>	<u>(22,678)</u>	<u>(15)</u>
Fund balance (deficit), beginning of year	(33,198)	1,215	22,678	15
Prior period adjustment	-	-	-	-
Fund balance (deficit), beginning of year, restated	<u>(33,198)</u>	<u>1,215</u>	<u>22,678</u>	<u>15</u>
Fund balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ISLETON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (continued)
 NONMAJOR SPECIAL REVENUE FUNDS (continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	FEMA <u>Firefighters</u>	Oil <u>Recovery</u>	Gas <u>Lease</u>	<u>Total</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 23,759
Use of money	-	-	-	5
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,244</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,008</u>
EXPENDITURES				
General government	-	-	-	35,559
Public ways and facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,725</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,284</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,276)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	250	35,880
Transfers out	<u>(3,646)</u>	<u>(18,515)</u>	<u>-</u>	<u>(50,003)</u>
Total other financing sources (uses)	<u>(3,646)</u>	<u>(18,515)</u>	<u>250</u>	<u>(14,123)</u>
Net change in fund balance	<u>(3,646)</u>	<u>(18,515)</u>	<u>250</u>	<u>(22,399)</u>
Fund balance (deficit), beginning of year	3,646	18,515	(250)	580,617
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,285)</u>
Fund balance (deficit), beginning of year, restated	<u>3,646</u>	<u>18,515</u>	<u>(250)</u>	<u>287,332</u>
Fund balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,933</u>

**CITY OF ISLETON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2016**

	Developer Deposits	Waterfront Project - Landside	Waterfront Project - Waterside	Used Oil Block Grant	Total
ASSETS:					
Cash and investments	\$ 7,562	\$ -	\$ -	\$ -	\$ 7,562
Receivables:					
Accounts	437	-	-	-	437
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 7,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,999</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 2,290	\$ -	\$ -	\$ -	\$ 2,290
Deposits payable	199	-	-	-	199
Due to other funds	183,428	-	-	-	183,428
Total liabilities	<u>185,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,917</u>
Fund Balances:					
Unassigned	<u>(177,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,918)</u>
Total fund balances	<u>(177,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,918)</u>
Total liabilities and fund balances	<u>\$ 7,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,999</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Developer Deposits	Waterfront Project - Landside	Waterfront Project - Waterside	Used Oil Block Grant	Total
REVENUES					
Use of money	\$ 11	\$ -	\$ -	\$ -	\$ 11
Charges for services	<u>11,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,002</u>
Total revenues	<u>11,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,013</u>
EXPENDITURES					
General government	31,775	-	-	-	31,775
Public safety	-	-	-	-	-
Parks & recreation	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>31,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,775</u>
Excess of revenues over (under) expenditures	<u>(20,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,765)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	39,659	5,703	1,552	46,914
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>39,659</u>	<u>5,703</u>	<u>1,552</u>	<u>46,914</u>
Net change in fund balance	(20,765)	39,659	5,703	1,552	26,152
Fund balance (deficit), beginning of year	<u>(157,156)</u>	<u>(39,659)</u>	<u>(5,703)</u>	<u>(1,552)</u>	<u>(204,070)</u>
Fund balance, end of the year	<u>\$ (177,918)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (177,918)</u>

**CITY OF ISLETON
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2016**

	<u>Sewer Capital Reserve</u>	<u>Sewer Capital Recovery</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS:				
Cash and investments	\$ 523	\$ 1,123	\$ -	\$ 1,646
Accounts receivable	-	-	-	-
Capital assets	-	-	-	-
Accumulated depreciation	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 523</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 1,646</u>
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Payables:				
Accounts	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Long-term debt:				
Certificate of participation	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Position:				
Unrestricted	<u>523</u>	<u>1,123</u>	<u>-</u>	<u>1,646</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net position	<u>\$ 523</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 1,646</u>

**CITY OF ISLETON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN FUND NET POSITION – NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Sewer Capital Reserve	Sewer Capital Recovery	Solid Waste	Total
Operating revenues:				
Charges for service	\$ -	\$ -	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Salaries and benefits	-	-	-	-
Services and supplies	-	-	-	-
Maintenance and operations	-	-	-	-
General and administration	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-operating revenues (expenses):				
Interest revenue	1	-	-	1
Intergovernmental	-	-	-	-
Transfers in/(out)	-	-	1,325	1,325
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expense)	<u>1</u>	<u>-</u>	<u>1,325</u>	<u>1,326</u>
Changes in net position	1	-	1,325	1,326
Net position, beginning of year	<u>522</u>	<u>1,123</u>	<u>(1,325)</u>	<u>320</u>
Net position, end of year	<u>\$ 523</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 1,646</u>

**CITY OF ISLETON
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	Sewer Capital Reserve	Sewer Capital Recovery	Solid Waste	Total
Cash flows from operating activities				
Cash received from operating revenues	\$ -	\$ -	\$ -	\$ -
Cash paid to employees for services	-	-	-	-
Cash paid for operating expenses	-	-	-	-
Net cash provided by operating activities	-	-	-	-
Cash flows from non-capital financing activities				
Cash received from other funds	-	-	(1,325)	(1,325)
Transfer from/(to) other fund types	-	-	1,325	1,325
Net cash provided by non-capital financing activities	-	-	-	-
Cash flows from capital and related financing activities				
Purchase of fixed assets	-	-	-	-
Payments on long-term debt	-	-	-	-
Interest and fiscal charges	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	-
Cash flows from investing activities				
Interest earnings	1	-	-	1
Net cash provided by investing activities	1	-	-	1
Net increase (decrease) in cash and cash equivalents	1	-	-	1
Cash and cash equivalents – beginning of the year	522	1,123	-	1,645
Cash and cash equivalents – end of the year	\$ 523	\$ 1,123	\$ -	\$ 1,646
Reconciliation of operating income to net cash				
Provided (used) by operating activities:				
Operating income	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating income to				
Net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Debt forgiveness	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	-
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -

**CITY OF ISLETON
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 JUNE 30, 2016**

	<u>Sphere & Annexation</u>	<u>Gas Royalties</u>	<u>Cable TV Deposits</u>	<u>Total</u>
ASSETS:				
Due from other funds	\$ -	\$ -	\$ -	\$ -
Loan to general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Agency fund held for others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ISLETON
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Sphere & Annexation</u>				
ASSETS:				
Due from other funds	\$ 10,798	\$ -	\$ (10,798)	\$ -
Loan to general fund	<u>2,800</u>	<u>-</u>	<u>(2,800)</u>	<u>-</u>
Total assets	<u>\$ 13,598</u>	<u>\$ -</u>	<u>\$ 13,598</u>	<u>\$ -</u>
LIABILITIES				
Agency fund held for others	<u>\$ 13,598</u>	<u>\$ -</u>	<u>\$ (13,598)</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,598</u>	<u>\$ -</u>	<u>\$ (13,598)</u>	<u>\$ -</u>
<u>Gas Royalties</u>				
ASSETS:				
Due from other funds	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ (6,438)</u>	<u>\$ -</u>
Total assets	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ (6,438)</u>	<u>\$ -</u>
LIABILITIES				
Agency fund held for others	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ (6,438)</u>	<u>\$ -</u>
Total liabilities	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ (6,438)</u>	<u>\$ -</u>
<u>Cable TV Deposit</u>				
ASSETS:				
Due from other funds	\$ 1,091	\$ -	\$ (1,091)	\$ -
Loan to general fund	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>
Total assets	<u>\$ 19,091</u>	<u>\$ -</u>	<u>\$ (19,091)</u>	<u>\$ -</u>
LIABILITIES				
Agency fund held for others	<u>\$ 19,091</u>	<u>\$ -</u>	<u>\$ (19,091)</u>	<u>\$ -</u>
Total liabilities	<u>\$ 19,091</u>	<u>\$ -</u>	<u>\$ (19,091)</u>	<u>\$ -</u>
<u>Total Trust and Agency</u>				
ASSETS:				
Due from other funds	\$ 18,327	\$ -	\$ (18,327)	\$ -
Loan to general fund	<u>20,800</u>	<u>-</u>	<u>(20,800)</u>	<u>-</u>
Total assets	<u>\$ 39,127</u>	<u>\$ -</u>	<u>\$ (39,127)</u>	<u>\$ -</u>
LIABILITIES				
Agency fund held for others	<u>\$ 39,127</u>	<u>\$ -</u>	<u>\$ (39,127)</u>	<u>\$ -</u>
Total liabilities	<u>\$ 39,127</u>	<u>\$ -</u>	<u>\$ (39,127)</u>	<u>\$ -</u>

CITY OF ISLETON
ISLETON, CALIFORNIA
JUNE 30, 2016

CITY COUNCIL

	<u>Position</u>	<u>Term Expires</u>
Mark Bettencourt	Mayor	December, 2016
Robert Jankovitz	Vice Mayor	December, 2018
Elizabeth Samano	Member	December, 2018
Pamela Bulahan	Member	December, 2016
Eric Pene	Member	December, 2018

CITY ADMINISTRATOR
Dan Hinrichs

CITY CLERK
Yvonne Zepeda

CITY TREASURER
Pamela Bulahan

**CITY OF ISLETON
OTHER REPORTS
JUNE 30, 2016**

**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**

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Isleton, California

I 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, the aggregate remaining fund information, the fiduciary funds and the component units of City of Isleton, California ("City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated May 15, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be a material weakness as item number 16-03.

A significant deficiency in internal control is a deficiency, or 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. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies as items number 16-01 through 16-02.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Isleton, California's financial statements are free of material misstatement, I performed tests its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and materially effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item number 16-04.

City of Isleton's Response to Findings

The City of Isleton, California's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Don Cole & Company
Sacramento, California

May 15, 2018

**CITY OF ISLETON
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED
JUNE 30, 2016**

**CITY OF ISLETON
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2016**

My examination disclosed the following conditions we considered serious enough to bring to your attention:

16-01. BUDGET

Finding: In reviewing actual revenues versus the budgeted revenues of the General Fund it was noted that there are significant disparities between the actual amounts and the budget amounts. Revenues were 31.5% lower than budgeted and expenditures in the current year were 38.0% lower than budgeted. Good fiscal management requires the continued monitoring of actual revenues versus budgeted amounts to better anticipate changing circumstances and make timely necessary adjustments to the budget and spending plans.

Recommendation: I recommended that a procedure be implemented wherein there is a periodic review of actual performance and budgeted performance. This will allow for needed adjustments to the budget and spending plan and provided improved control over city finances.

City response: The City has prepared and adopted a budget for Fiscal Year 2017-18. This document presents all planned revenues and planned expenditures for the Fiscal Year. City staff will issue quarterly reviews of the annual budget showing actual performance compared to budgeted performance.

16-02. POLICIES AND PROCEDURES

Finding: It was noted that the City does not have written procedures for performing many of the current financial processes.

Recommendation: It is recommended that the City develop written policies and procedures for all current financial processes.

City response: The City has retained a retired municipal finance director/certified public accountant to develop and establish written policies and procedure for all current financial processes. This task will be completed by December 31 of this year.

16-03. ACCURACY OF FINANCIAL REPORTING

Finding: Shortcomings in the accounting system are demonstrated by the following:

Bank reconciliations are not being performed on a timely basis.

Recommendation: I recommend the level of supervision for the accounting and financial reporting functions for the City be evaluated to determine that personnel in these positions possess adequate knowledge and understanding of governmental financial reporting.

City response: The City has retained a retired municipal finance director/certified public accountant to perform supervision of the accounting and financial reporting function for the City. This task is to monitor City fund transfer functions and bank reconciliations periodically throughout the Fiscal Year.

**CITY OF ISLETON
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2016**

16-04. USDA SEWER PROJECT EXPENDITURES

Finding: It was noted by the preceding auditors that amounts claimed for reimbursement on the USDA sewer project were not reconciled to fund 412 of the primary accounting records of the City. It was further noted in testing of disbursements for this project that \$85,703 was paid to the City General fund to reimburse for the previous year's expenses, however, no support or documentation was provided to substantiate that amount.

Recommendation: It is recommended that all grant accounting be reconciled to the primary accounting records of the City and that all amounts charged to this project be properly supported. In addition, I recommend that unless proper documentation is provided for the \$85,703 transferred to the General fund, that the amount be returned to the USDA sewer project fund.

City response: The City has initiated action to address and reconcile this finding. On June 19, 2017, the City contacted the grant agency, the U.S. Department of Agriculture – Rural Development, for the construction project accounting records. The City has requested both the USDA payment records and the Project construction contractor payment records. USDA has informed the City that they are researching USDA records for this report. The City expects to receive the appropriate records by the end of the calendar year. Upon receipt of these records, the supporting documentation for this \$85,703 will be reconciled with the City's primary accounting records.

**CITY OF ISLETON
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2016**

15-01. BUDGET

Finding: In reviewing actual revenues versus the budgeted revenues of the General Fund it was noted that there are significant disparities between the actual amounts and the budget amounts. Revenues were 35.7 lower than budgeted and expenditures in the current year were 39.2% lower than budgeted. Good fiscal management requires the continued monitoring of actual revenues versus budgeted amounts to better anticipate changing circumstances and make timely necessary adjustments to the budget and spending plans.

Recommendation: I recommended that a procedure be implemented wherein there is a periodic review of actual performance and budgeted performance. This will allow for needed adjustments to the budget and spending plan and provided improved control over city finances.

Status: The 2015/16 budget was passed on July 20, 2016. Revenues were 31.5% lower than budgeted and expenditures in the current year were 43.3% lower than budgeted.

15-02. POLICIES AND PROCEDURES

Finding: It was noted that the City does not have written procedures for performing many of the current financial processes.

Recommendation: It is recommended that the City develop written policies and procedures for all current financial processes.

Status: Repeat current year.

15-03. ACCURACY OF FINANCIAL REPORTING

Finding: Shortcomings in the accounting system are demonstrated by the following:

- a) Amounts transferred to other funds did not equal amounts transferred from other funds,
- b) Bank reconciliations are not being performed on a timely basis.

Recommendation: I recommend the level of supervision for the accounting and financial reporting functions for the City be evaluated to determine that personnel in these positions possess adequate knowledge and understanding of governmental financial reporting.

Status: a) The City hired a consultant to bring the items into balance,
b) Repeat current year,

15-04. USDA SEWER PROJECT EXPENDITURES

Finding: It was noted by the preceding auditors that amounts claimed for reimbursement on the USDA sewer project were not reconciled to fund 412 of the primary accounting records of the City. It was further noted in testing of disbursements for this project that \$85,703 was paid to the City General fund to reimburse for the previous year's expenses, however, no support or documentation was provided to substantiate that amount.

Recommendation: It is recommended that all grant accounting be reconciled to the primary accounting records of the City and that all amounts charged to this project be properly supported. In addition, I recommend that unless proper documentation is provided for the \$85,703 transferred to the General fund, that the amount be returned to the USDA sewer project fund.

Status: Repeat current year.