

**CITY OF ISLETON  
ISLETON, CALIFORNIA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**CITY OF ISLETON  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
TABLE OF CONTENTS**

**FINANCIAL SECTION**

Independent Auditor’s Report..... 1-3

Management’s Discussion and Analysis ..... 4-7

Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Position.....8

        Statement of Activities .....9

    Fund Financial Statements:

        Balance Sheet – Governmental Funds.....10

        Reconciliation of the Governmental Funds Balance Sheet to the  
        Statement of Net Position .....11

        Statement of Revenues, Expenditures, and Changes in Fund  
        Balances - Governmental Funds .....12

        Reconciliation of the Governmental Funds Statement of Revenues,  
        Expenditures and Changes in Fund Balances to the Statement of Activities .....13

        Statement of Net Position – Proprietary Funds .....14

        Statement of Revenues, Expenses, and Changes in Fund Net  
        Assets - Proprietary Funds .....15

        Statement of Cash Flows- Proprietary Fund Types .....16

Notes to the Basic Financial Statements..... 17-31

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund.....32

**SUPPLEMENTARY INFORMATION SECTION**

Non-Major Governmental Funds

    Non-Major Special Revenue Funds

        Combining Balance Sheet.....33

        Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....34

Organization .....35

**OTHER INDEPENDENT AUDITOR’S REPORTS**

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 ..... 36-37

**CITY OF ISLETON  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
TABLE OF CONTENTS**

**FINDINGS AND RECOMMENDATIONS SECTION**

Findings and Recommendations .....	38-40
Status of Prior Year Findings and Recommendations .....	41-44

## 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, 2019, 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.

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
General Fund	Qualified
Redevelopment Agency Fund	Qualified
Redevelopment Low Income Fund	Qualified
Sacramento Transportation Fund	Unmodified
Supplemental Law Enforcement Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Qualified Opinions on the General Fund, Redevelopment Agency Fund and Redevelopment Low Income Fund**

Management has not been able to provide sufficient information to demonstrate that the General Fund has the ability to repay the interfund loan payable to the Redevelopment Agency and Redevelopment Low Income funds within a reasonable period of time. Accounting principles generally accepted in the United States of America require that if repayment is not expected within a reasonable period of time, that the interfund balance should be reduced, and the lender fund should report a transfer to the borrower fund for the amount that is not expected to be repaid within a reasonable period of time. The balance of the General Fund's interfund loans were \$580,798 with the Redevelopment Agency fund and \$529,612 with the Redevelopment Low Income fund at June 30, 2019.

### **Qualified Opinions**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinions on the General Fund, Redevelopment Agency Fund and Redevelopment Low Income Fund paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Redevelopment Agency Fund and Redevelopment Low Income Fund of the City of Isleton, California, as of June 30, 2019, and the respective changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

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, the Sacramento Transportation Fund, the Supplemental Law Enforcement Fund, the Sewer Fund and the aggregate remaining fund information of the City of Isleton, California as of June 30, 2019, and the respective changes in financial position 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 December 16, 2021, 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 4-7 and the Required Supplementary Information as listed in the table of contents on page 32 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 my 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

December 16, 2021

**CITY OF ISLETON  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2019**

## 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, 2019. 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 \$969,973, a decrease of \$282,556 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 \$1,222,637.
- The government net position decreased by \$71,256 (\$96,870 due to operations offset by a \$25.6K prior period adjustment) and the business-type net position decreased by \$211,300 due to operations.
- Program revenues from governmental activities increased \$126,564 or 30.4%. Program revenues from business-type activities increased by \$11,127 or 2.1%.

### 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 FY18 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 6/30/2019

	Government Activities		Business Type Activities		Total Primary Government	
	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</u>
Current and other assets	\$ 701,902	\$ 842,188	\$ 410,383	\$ 498,216	\$ 1,112,285	\$ 1,340,404
Capital assets	<u>2,240,058</u>	<u>2,274,773</u>	<u>2,381,308</u>	<u>2,450,063</u>	<u>4,621,366</u>	<u>4,724,836</u>
Total assets	<u>\$ 2,941,960</u>	<u>\$ 3,116,961</u>	<u>\$ 2,791,691</u>	<u>\$ 2,948,279</u>	<u>\$ 5,733,651</u>	<u>\$ 6,065,240</u>
Total deferred outflow of resources	<u>\$ 43,014</u>	<u>\$ 45,881</u>	<u>\$ 92,161</u>	<u>\$ 98,266</u>	<u>\$ 135,175</u>	<u>\$ 144,147</u>
Current and other liabilities	\$ 697,079	\$ 716,054	\$ 85,920	\$ 121,625	\$ 782,999	\$ 837,679
Liabilities due after one year	<u>506,152</u>	<u>543,408</u>	<u>2,853,994</u>	<u>2,769,682</u>	<u>3,360,146</u>	<u>3,313,090</u>
Total liabilities	<u>\$ 1,203,231</u>	<u>\$ 1,259,462</u>	<u>\$ 2,939,914</u>	<u>\$ 2,891,307</u>	<u>\$ 4,143,145</u>	<u>\$ 4,150,769</u>
Total deferred inflow of resources	<u>\$ 755,708</u>	<u>\$ 806,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,708</u>	<u>\$ 806,089</u>
Net Position:						
Net investment in capital assets	\$ 2,221,372	\$ 2,274,773	(558,374)	(374,016)	1,662,998	1,900,757
Restricted	529,612	529,612	-	-	529,612	529,612
Unrestricted	<u>(1,724,949)</u>	<u>(1,707,094)</u>	<u>502,312</u>	<u>529,254</u>	<u>(1,222,637)</u>	<u>(1,177,840)</u>
Total net position	<u>\$ 1,026,035</u>	<u>\$ 1,097,291</u>	<u>\$ (56,062)</u>	<u>\$ 155,238</u>	<u>\$ 969,973</u>	<u>\$ 1,252,529</u>



## Capital Assets and Debt Administration

Capital assets net of depreciation as of June 30,

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</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	1,820,319	1,881,795	2,228,135	2,328,534	4,048,454	4,210,329
Equipment	<u>109,379</u>	<u>82,618</u>	<u>90,173</u>	<u>58,529</u>	<u>199,552</u>	<u>141,147</u>
Total depreciable assets	<u>1,929,698</u>	<u>1,964,413</u>	<u>2,318,308</u>	<u>2,387,063</u>	<u>4,248,006</u>	<u>4,351,476</u>
Total	<u>\$ 2,240,058</u>	<u>\$ 2,274,773</u>	<u>\$ 2,381,308</u>	<u>\$ 2,450,063</u>	<u>\$ 4,621,366</u>	<u>\$ 4,724,836</u>

Outstanding debt as of June 30,

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 17/18</u>
Installments payable	\$ 556,637	\$ 608,115	\$ -	\$ -	\$ 556,637	\$ 608,115
Compensated absences	20,845	9,151	-	-	20,845	9,151
Leases	18,686	-	20,782	30,579	39,468	30,579
Certificates of participation	-	-	913,900	933,500	913,900	933,500
Series 2012 Bonds	-	-	-	1,860,000	-	1,860,000
Series 2019 Bonds	-	-	<u>2,005,000</u>	-	<u>2,005,000</u>	-
Total	<u>\$ 596,168</u>	<u>\$ 617,266</u>	<u>\$ 2,939,682</u>	<u>\$ 2,824,079</u>	<u>\$ 3,535,850</u>	<u>\$ 3,441,345</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, 2019**

**CITY OF ISLETON  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 567,800	\$ 129,822	\$ 697,622
Accounts receivable	56,999	105,706	162,705
Taxes receivable	77,103	-	77,103
Due from governmental funds	-	22,030	22,030
Restricted cash	-	152,825	152,825
Capital assets, net	<u>2,240,058</u>	<u>2,381,308</u>	<u>4,621,366</u>
Total assets	<u>\$ 2,941,960</u>	<u>\$ 2,791,691</u>	<u>\$ 5,733,651</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss	<u>\$ 43,014</u>	<u>\$ 92,161</u>	<u>\$ 135,175</u>
Total deferred outflows of resources	<u>\$ 43,014</u>	<u>\$ 92,161</u>	<u>\$ 135,175</u>
<b>LIABILITIES:</b>			
Payables:			
Accounts	\$ 237,460	\$ 232	\$ 237,692
Due to business-type funds	22,030	-	22,030
Deferred revenue	347,573	-	347,573
Long-term debt:			
Due within one year	90,016	85,688	175,704
Due after one year	<u>506,152</u>	<u>2,853,994</u>	<u>3,360,146</u>
Total liabilities	<u>\$ 1,203,231</u>	<u>\$ 2,939,914</u>	<u>\$ 4,143,145</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred gain	<u>\$ 755,708</u>	<u>\$ -</u>	<u>\$ 755,708</u>
Total deferred inflows of resources	<u>\$ 755,708</u>	<u>\$ -</u>	<u>\$ 755,708</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 2,221,372	\$ (558,374)	\$ 1,662,998
Restricted for low/moderate housing	529,612	-	529,612
Unrestricted	<u>(1,724,949)</u>	<u>502,312</u>	<u>(1,222,637)</u>
Total net position	<u>\$ 1,026,035</u>	<u>\$ (56,062)</u>	<u>\$ 969,973</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
JUNE 30, 2019**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 439,218	\$ 39,203	\$ 264,864	\$ (135,151)	\$ -	\$ (135,151)
Public safety	462,012	1,455	169,452	(291,105)	-	(291,105)
Parks & recreation	12,111	-	-	(12,111)	-	(12,111)
Public ways and facilities	490,040	68,197	-	(421,843)	-	(421,843)
Community development	293	-	-	(293)	-	(293)
Total governmental activities	<u>\$ 1,403,674</u>	<u>\$ 108,855</u>	<u>\$ 434,316</u>	<u>(860,503)</u>	<u>-</u>	<u>(860,503)</u>
Business-type activities:						
Sewer	<u>\$ 618,150</u>	<u>\$ 526,570</u>	<u>\$ 16,599</u>	<u>-</u>	<u>(74,981)</u>	<u>(74,981)</u>
Total business-type activities	<u>\$ 618,150</u>	<u>\$ 526,570</u>	<u>\$ 16,599</u>	<u>-</u>	<u>(74,981)</u>	<u>(74,981)</u>
General revenues:						
Taxes:						
Property				372,988	-	372,988
Sales and use				164,234	-	164,234
Measure B				171,317	-	171,317
Franchise				34,488	-	34,488
Transient occupancy				641	-	641
Other:						
Use of money				4,659	14,652	19,311
Transfers - internal activity				-	-	-
Miscellaneous revenue				<u>15,306</u>	<u>12,478</u>	<u>27,784</u>
Total general revenues and other				<u>763,633</u>	<u>27,130</u>	<u>790,763</u>
Special items – debt issuance costs				<u>-</u>	<u>(163,449)</u>	<u>(163,449)</u>
Change in net position				<u>(96,870)</u>	<u>(211,300)</u>	<u>(308,170)</u>
Net position, beginning of year				1,097,291	155,238	1,252,529
Prior period adjustment				<u>25,614</u>	<u>-</u>	<u>25,614</u>
Net position, beginning of year - restated				<u>1,122,905</u>	<u>155,238</u>	<u>1,278,143</u>
Net position, end of year				<u>\$ 1,026,035</u>	<u>\$ (56,062)</u>	<u>\$ 969,973</u>

See accompanying notes to basic financial statement

**CITY OF ISLETON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	Major				Nonmajor	Total Governmental Funds	
	General Fund	Sacramento Transportation	Supplemental Law Enforcement	Redevelopment Agency	Redevelopment Low Income		Total Other Funds
<b>ASSETS:</b>							
Cash and investments	\$ 139,197	\$ 379,158	\$ -	\$ -	\$ 444	\$ 49,001	\$ 567,800
Accounts receivable	56,999	-	-	-	-	-	56,999
Taxes receivable	77,103	-	-	-	-	-	77,103
Due from other funds	-	121,579	-	-	-	147,417	268,966
Advances to other funds	-	-	-	580,798	529,168	-	1,109,966
<b>Total assets</b>	<b>\$ 273,299</b>	<b>\$ 500,737</b>	<b>\$ -</b>	<b>\$ 580,798</b>	<b>\$ 529,612</b>	<b>\$ 196,418</b>	<b>\$ 2,080,864</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Payables:							
Accounts	\$ 236,705	\$ 565	\$ -	\$ -	\$ -	\$ 190	\$ 237,460
Installments	556,637	-	-	-	-	-	556,637
Deferred revenue	-	347,573	-	-	-	-	347,573
Due to other funds	281,109	-	-	-	-	9,917	291,026
Advances from other funds	1,109,966	-	-	-	-	-	1,109,966
<b>Total liabilities</b>	<b>2,184,417</b>	<b>348,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,107</b>	<b>2,542,662</b>
Fund Balances:							
Restricted	-	-	-	-	529,612	-	529,612
Unassigned	(1,911,118)	152,599	-	580,798	-	186,311	(991,410)
<b>Total fund balances</b>	<b>(1,911,118)</b>	<b>152,599</b>	<b>-</b>	<b>580,798</b>	<b>529,612</b>	<b>186,311</b>	<b>(461,798)</b>
<b>Total liabilities and fund balance</b>	<b>\$ 273,299</b>	<b>\$ 500,737</b>	<b>\$ -</b>	<b>\$ 580,798</b>	<b>\$ 529,612</b>	<b>\$ 196,418</b>	<b>\$ 2,080,864</b>

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, 2019**

Total fund balances, governmental funds		\$ (461,798)
Amounts reported for governmental activities in the statement of net position 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	43,014	
Deferred inflows of resources	(755,708)	(712,694)
<hr/>		
Amounts reported for governmental activities are not short term financial resources and therefore are not reported as assets in governmental funds.		
Historical acquisition cost	4,362,599	
Accumulated depreciation	(2,122,541)	2,240,058
<hr/>		
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	(20,845)	
Leases payable	(18,686)	(39,531)
<hr/>		
Total net position – governmental funds		<u>\$ 1,026,035</u>

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, 2019**

	General Fund	Sacramento Transportation	Major Supplemental Law Enforcement	Redevelopment Agency	Redevelopment Low Income	Nonmajor Total Other Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 383,765	\$ -	\$ -	\$ -	\$ -	\$ 111,806	\$ 495,571
Measure B	171,317	-	-	-	-	-	171,317
Licenses and permits	144,977	-	-	-	-	-	144,977
Fines and penalties	1,455	-	-	-	-	-	1,455
Use of money	4,650	-	-	-	-	9	4,659
Charges for services	21,697	-	-	-	-	17,506	39,203
Intergovernmental	115,571	149,293	169,452	-	-	-	434,316
Miscellaneous	<u>15,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,306</u>
Total revenues	<u>858,738</u>	<u>149,293</u>	<u>169,452</u>	<u>-</u>	<u>-</u>	<u>129,321</u>	<u>1,306,804</u>
<b>EXPENDITURES:</b>							
General government	443,362	-	-	-	-	27,161	470,523
Public safety	276,390	-	169,784	-	-	-	446,174
Parks & recreation	10,168	-	-	-	-	-	10,168
Public ways and facilities	137,886	174,877	-	-	-	126,360	439,123
Community development	293	-	-	-	-	-	293
Principal payment	4,095	-	-	-	-	-	4,095
Interest payment	1,217	-	-	-	-	-	1,217
Capital outlay	<u>37,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,281</u>
Total expenditures	<u>910,692</u>	<u>174,877</u>	<u>169,784</u>	<u>-</u>	<u>-</u>	<u>153,521</u>	<u>1,408,874</u>
Excess of revenues over (under) expenditures	<u>(51,954)</u>	<u>(25,584)</u>	<u>(332)</u>	<u>-</u>	<u>-</u>	<u>(24,200)</u>	<u>(102,070)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	-	13,953	-	-	176,374	190,327
Transfers out	(190,327)	-	-	-	-	-	(190,327)
Proceeds from the issuance of debt	<u>22,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,781</u>
Total other financing sources(uses)	<u>(167,546)</u>	<u>-</u>	<u>13,953</u>	<u>-</u>	<u>-</u>	<u>176,374</u>	<u>22,781</u>
Net change in fund balance	<u>(219,500)</u>	<u>(25,584)</u>	<u>13,621</u>	<u>-</u>	<u>-</u>	<u>152,174</u>	<u>(79,289)</u>
<b>FUND BALANCE (DEFICIT):</b>							
Beginning of year	(1,717,232)	178,183	(13,621)	580,798	529,612	34,137	(408,123)
Prior period adjustment	<u>25,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,614</u>
Beginning of year, restated	<u>(1,691,618)</u>	<u>178,183</u>	<u>(13,621)</u>	<u>580,798</u>	<u>529,612</u>	<u>34,137</u>	<u>(382,509)</u>
Fund balance (deficit), end of the year	<u>\$ (1,911,118)</u>	<u>\$ 152,599</u>	<u>\$ -</u>	<u>\$ 580,798</u>	<u>\$ 529,612</u>	<u>\$ 186,311</u>	<u>\$ (461,798)</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, 2019**

Total net change in fund balance, governmental funds \$ (79,289)

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:

Capital asset additions	37,281	
Depreciation	(71,996)	(34,715)

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:

Issuance of long-term debt	(22,781)	
Long-term debt principal payments	4,095	
Change in compensated absences	(11,694)	(30,380)

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		<u>47,514</u>
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Change in net position – governmental activities \$ (96,870)

See accompanying notes to basic financial statements

**CITY OF ISLETON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019**

	<u>Major Fund</u>
	<u>Sewer</u>
<b>ASSETS:</b>	
Current assets:	
Cash and investments	\$ 129,822
Accounts receivable	105,706
Due from other funds	<u>22,030</u>
Total current assets	<u>257,558</u>
Restricted assets:	
Restricted cash	<u>152,825</u>
Total restricted assets	<u>152,825</u>
Noncurrent assets:	
Capital assets	3,655,819
Accumulated depreciation	<u>(1,274,511)</u>
Total noncurrent assets	<u>2,381,308</u>
Total assets	<u>\$ 2,791,691</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred loss	<u>\$ 92,161</u>
Total deferred outflows of resources	<u>\$ 92,161</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 232
Due to other funds	<u>-</u>
Total current liabilities	<u>232</u>
Noncurrent liabilities:	
Certificate of participation	913,900
Series 2019 Bonds	2,005,000
Leases	<u>20,782</u>
Total noncurrent liabilities	<u>2,939,682</u>
Total liabilities	<u>\$ 2,939,914</u>
<b>NET POSITION:</b>	
Net investment in capital assets	\$ (558,374)
Restricted	152,825
Unrestricted	<u>349,487</u>
Total net position	<u>\$ (56,062)</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2019**

	<u>Major Fund</u>
	<u>Sewer</u>
Operating revenues:	
Charges for service	\$ 526,570
Fines and forfeitures	7,911
Other	<u>4,567</u>
Total operating revenues	<u>539,048</u>
Operating expenses:	
Salaries and benefits	134,296
Services and supplies	10,440
Maintenance and operations	126,025
General and administration	67,542
Depreciation/amortization	<u>115,620</u>
Total operating expenses	<u>453,923</u>
Operating income (loss)	<u>85,125</u>
Non-operating revenues (expenses):	
Use of money	14,652
Intergovernmental	16,599
Transfers in/(out)	-
Interest expense	<u>(164,227)</u>
Total non-operating revenues (expense)	<u>(132,976)</u>
Special items – debt issuance costs	<u>(163,449)</u>
Changes in net position	(211,300)
Net position, beginning of year	<u>155,238</u>
Net position, end of year	<u>\$ (56,062)</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Major Fund</u>
	<u>Sewer</u>
Cash flows from operating activities:	
Cash received from operating revenues	\$ 515,442
Cash paid to employees for services	(134,296)
Cash paid for operating expenses	<u>(222,966)</u>
Net cash provided by operating activities	<u>158,180</u>
Cash flows from non-capital financing activities:	
Cash received from other funds	25,075
Transfer from/(to) other fund types	<u>(40,760)</u>
Net cash provided (used) by non-capital financing activities	<u>(15,685)</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(40,760)
Payments on long-term debt	(1,889,397)
Issuance of long-term debt	2,005,000
Debt issuance costs	(163,449)
Interest and fiscal charges	<u>(212,264)</u>
Net cash provided (used) by capital and related financing activities	<u>(300,870)</u>
Cash flows from investing activities:	
Use of money	<u>14,652</u>
Net cash provided by investing activities	<u>14,652</u>
Net increase (decrease) in cash and cash equivalents	(143,723)
Cash and cash equivalents – beginning of the year	<u>426,370</u>
Cash and cash equivalents – end of the year	<u>\$ 282,647</u>
Reconciliation of operating income to net cash:	
Provided (used) by operating activities:	
Operating income	\$ 85,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	115,620
(Increase) decrease in accounts receivable	(23,606)
Increase (decrease) in accounts payable	<u>(18,959)</u>
Net cash provided by operating activities	<u>\$ 158,180</u>

See accompanying notes to basic financial statements

**CITY OF ISLETON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 position 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, 2019**

**Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Presentation (continued)

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

- Sewer 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, 2019**

**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.

In the current year the City is reporting all its sewer activity in the Sewer fund.

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, 2019**

**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 Position. 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, 2019**

**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 Position. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of 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 Position/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position 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 position 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 position 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, 2019**

**Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

M. Net Position/Fund Balances (continued)

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

- *Non-spendable* – includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors of amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- *Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance maybe assigned by the City Manager with City Council approval.
- *Unassigned* – includes balances within the fund balance which has not been classified within the above mentioned categories.

As of June 30, 2019, 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.

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates	November 1 (1 <sup>st</sup> installment) February 1 (2 <sup>nd</sup> installment)	July 1
Delinquent dates	December 10 (1 <sup>st</sup> installment) April 10 (2 <sup>nd</sup> 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, 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 Position.

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**Note 2 CASH AND INVESTMENTS**

Cash and investments consisted of the following at June 30, 2019:

Deposits	\$ 849,129
Local agency investment fund	1,318
Total Cash	<u>\$ 850,447</u>

Per the City's financial statements:

Primary government	\$ 697,622
Restricted cash	152,825
Total Cash	<u>\$ 850,447</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 \$850,447 and the bank balance was \$1,047,864. 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, 2019**

**Note 3 CAPITAL ASSETS AND DEPRECIATION**

Governmental capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</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	2,909,407	-	-	2,909,407
Equipment	<u>1,105,551</u>	<u>37,281</u>	<u>-</u>	<u>1,142,832</u>
Total depreciable assets	<u>4,014,958</u>	<u>37,281</u>	<u>-</u>	<u>4,052,239</u>
Less: accumulated depreciation:				
Buildings and improvements	(1,027,612)	(61,476)	-	(1,089,088)
Equipment	<u>(1,022,933)</u>	<u>(10,520)</u>	<u>-</u>	<u>(1,033,453)</u>
Total accumulated depreciation	<u>(2,050,545)</u>	<u>(71,996)</u>	<u>-</u>	<u>(2,122,541)</u>
Net depreciable assets	<u>1,964,413</u>	<u>(34,715)</u>	<u>-</u>	<u>1,929,698</u>
Net governmental capital assets	<u>\$ 2,274,773</u>	<u>\$ (34,715)</u>	<u>\$ -</u>	<u>\$ 2,240,058</u>

Proprietary fund type capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</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	3,268,009	-	-	3,268,009
Equipment	<u>284,050</u>	<u>40,760</u>	<u>-</u>	<u>324,810</u>
Total depreciable assets	<u>3,552,059</u>	<u>40,760</u>	<u>-</u>	<u>3,592,819</u>
Less: accumulated depreciation:				
Buildings and improvements	(939,475)	(100,399)	-	(1,039,874)
Equipment	<u>(225,521)</u>	<u>(9,116)</u>	<u>-</u>	<u>(234,637)</u>
Total accumulated depreciation	<u>(1,164,996)</u>	<u>(109,515)</u>	<u>-</u>	<u>(1,274,511)</u>
Net depreciable assets	<u>2,387,063</u>	<u>(68,755)</u>	<u>-</u>	<u>2,318,308</u>
Net proprietary fund type capital assets	<u>\$ 2,450,063</u>	<u>\$ (68,755)</u>	<u>\$ -</u>	<u>\$ 2,381,308</u>

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 3 CAPITAL ASSETS AND DEPRECIATION (continued)**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 9,926
Public safety	13,616
Public ways and facilities	46,511
Recreation and culture	<u>1,943</u>
Total depreciation expense – governmental functions	<u>\$ 71,996</u>

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

Sewer depreciation	\$ 109,515
Sewer amortization	<u>6,105</u>
Total depreciation and amortization – business-type funds	<u>\$ 115,620</u>

**Note 4 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

	<u>July 1, 2018</u>	<u>Amortization</u>	<u>June 30, 2019</u>
Deferred outflow of resources:			
Governmental activities	\$ 45,881	\$ (2,867)	\$ 43,014
Business-type activities	<u>98,266</u>	<u>(6,105)</u>	<u>92,161</u>
Total deferred expenses	<u>\$ 144,147</u>	<u>\$ (8,972)</u>	<u>\$ 135,175</u>
Deferred inflow of resources:			
Governmental	<u>\$ 806,089</u>	<u>\$ (50,381)</u>	<u>\$ 755,708</u>
Total deferred revenues	<u>\$ 806,089</u>	<u>\$ (50,381)</u>	<u>\$ 755,708</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)	\$ 59,727
Employment Development Department	169,183
Sacramento County Sheriff's Department	262,500
Small Cities Organized Risk Effort	<u>65,227</u>
	<u>\$ 556,637</u>

Sacramento County Treasurer (Reclamation District No. 407) – In January 2019 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 2019 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. The agreement was amended on September 2, 2020 increasing the balance and reducing the yearly payment to \$3,000.

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 5 INSTALLMENTS PAYABLE (continued)**

Sacramento County Sheriff's Department – In June 2019 the City Council adopted the Sacramento County Sheriff Quittance Plan. At December 2019 the unpaid liability was \$370,153.

Small Cities Organized Risk Effort – In December 2019 the City Council adopted a payment schedule for assessments outstanding. At the time of the agreement the unpaid assessments were \$81,533. The agreement was amended on February 5, 2020 reducing future payments to \$8,153 through 2027.

The annual installment payment requirements as of June 30, 2019 are as follows:

Year ending June 30,	Sacramento County Treasurer	Employment Development Department	Sacramento County Sheriff	Small Cities Organized Risk Effort	Total
2020	\$ 9,955	\$ 3,000	\$ 43,750	\$ 8,153	\$ 64,858
2021	9,955	3,000	43,750	8,153	64,858
2022	9,954	3,000	43,750	8,153	64,857
2023	9,954	3,000	43,750	8,153	64,857
2024	9,954	3,000	43,750	8,153	64,857
2025-2029	9,955	15,000	43,750	24,462	93,167
2030-2034	-	15,000	-	-	15,000
2035-2039	-	15,000	-	-	15,000
2040-2044	-	15,000	-	-	15,000
2045-2049	-	15,000	-	-	15,000
2050-2054	-	15,000	-	-	15,000
2055-2059	-	15,000	-	-	15,000
2060-2064	-	15,000	-	-	15,000
2065-2069	-	15,000	-	-	15,000
2070-2074	-	15,000	-	-	15,000
2075-2076	-	4,183	-	-	4,183
Total	<u>\$ 59,727</u>	<u>\$ 169,183</u>	<u>\$ 262,500</u>	<u>\$ 65,227</u>	<u>\$ 556,637</u>

**Note 6 LONG-TERM DEBT**

**A. GOVERNMENTAL FUNDS**

Truck Lease

The City entered into a leasing agreement with Community Leasing Partners for the purchase of a Ford F250 truck, dated August 9, 2018, in the amount of \$22,781, payable in annual installments of \$5,312, with an interest rate of 5.34% and maturity on February 20, 2023.

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, 2019 amounts to \$20,845.

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 6 LONG-TERM DEBT (continued)**

**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 2012 Wastewater Refunding Revenue Bonds

Isleton Public Financing Authority Series 2012 Wastewater Refunding Revenue Bonds, dated May 16, 2012, in the amount of \$1,950,000, payable in annual installments of \$139,893 to \$169,969, with an interest rate of 3.75% to 5.25% and maturity on September 1, 2042. The bonds were defeased in 2019.

Series 2019 Taxable Wastewater Revenue Refunding Bonds

City of Isleton Series 2019 Taxable Wastewater Revenue Refunding Bonds, dated April 1, 2019, in the amount of \$2,005,000, payable in annual installments of \$139,519 to \$149,544, with an interest rate of 6.5% to 7.75% and maturity on September 1, 2042.

Backhoe Lease

The City entered into a leasing agreement with Community First National Bank for the purchase of a backhoe, dated July 11, 2017, in the amount of \$40,000, payable in annual installments of \$11,017, with an interest rate of 3.99% and maturity on July 11, 2021.

**C. CHANGES IN LONG-TERM DEBT**

Debt paid during the year 2018-19 and the related balance at June 30, 2019, is presented as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Due in One Year</u>
<b>GOVERNMENTAL FUNDS</b>					
Leases	\$ -	\$ 22,781	\$ (4,095)	\$ 18,686	\$ 4,313
Compensated absences	<u>9,151</u>	<u>17,237</u>	<u>(5,543)</u>	<u>20,845</u>	<u>20,845</u>
Total governmental funds	<u>\$ 9,151</u>	<u>\$ 40,018</u>	<u>\$ (9,638)</u>	<u>\$ 39,531</u>	<u>\$ 25,158</u>
<b>ENTERPRISE FUNDS</b>					
Certificates of Participation	\$ 933,500	\$ -	\$ (19,600)	\$ 913,900	\$ 20,500
Series 2012 Bonds	1,860,000	-	(1,860,000)	-	-
Series 2019 Bonds	-	2,005,000	-	2,005,000	55,000
Leases	<u>30,579</u>	<u>-</u>	<u>(9,797)</u>	<u>20,782</u>	<u>10,188</u>
Total enterprise funds	<u>\$ 2,824,079</u>	<u>\$ 2,005,000</u>	<u>\$ (1,889,397)</u>	<u>\$ 2,939,682</u>	<u>\$ 85,688</u>



**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 6 LONG-TERM DEBT (continued)**

**D. FUTURE DEBT SERVICE REQUIREMENTS**

Governmental Funds

The annual debt service requirements to maturity including principal and interest for the governmental truck lease as of June 30, 2019 are as follows:

Year ending June 30,	Interest	Principal	Total
2020	\$ 999	\$ 4,313	\$ 5,312
2021	768	4,544	5,312
2022	525	4,787	5,312
2023	269	5,043	5,312
Total	<u>\$ 2,561</u>	<u>\$ 18,687</u>	<u>\$ 21,248</u>

Enterprise Funds

The annual debt service requirements to maturity including principal and interest for the enterprise Certificate of Participation and Series 2019 Bonds as of June 30, 2019 are as follows:

Year ending June 30,	Certificate of Participation			Series 2019 Bonds		
	Interest	Principal	Total	Interest	Principal	Total
2020	\$ 41,125	\$ 20,500	\$ 61,625	\$ 87,069	\$ 55,000	\$ 142,069
2021	40,203	21,400	61,603	96,206	45,000	141,206
2022	39,240	22,400	61,640	94,519	45,000	139,519
2023	38,232	23,400	61,632	92,737	50,000	142,737
2024	37,179	24,500	61,679	90,863	50,000	140,863
2025-2029	168,363	139,800	308,163	415,719	310,000	725,719
2030-2034	133,942	174,200	308,142	326,937	405,000	731,937
2035-2039	91,049	217,100	308,149	209,869	515,000	724,869
2040-2044	37,598	270,600	308,198	56,962	530,000	586,962
Total	<u>\$ 626,931</u>	<u>\$ 913,900</u>	<u>\$ 1,540,831</u>	<u>\$ 1,470,881</u>	<u>\$ 2,005,000</u>	<u>\$ 3,475,881</u>

The annual debt service requirements to maturity including principal and interest for enterprise backhoe lease as of June 30, 2019 are as follows:

Year ending June 30,	Interest	Principal	Total
2020	\$ -	\$ -	\$ -
2021	829	10,188	11,017
2022	423	10,594	11,017
Total	<u>\$ 1,252</u>	<u>\$ 20,782</u>	<u>\$ 22,034</u>

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 7 OPERATING LEASE**

Governmental Funds Operating Lease

The City entered into a leasing agreement for office equipment with Xerox Financial Services on January 16, 2018. The lease calls for 60 monthly payments of \$126.62 plus applicable sales and use taxes.

The annual lease requirements to maturity for the office equipment as of June 30, 2019 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 1,519
2021	1,519
2022	1,520
2023	<u>887</u>
Total	<u>\$ 5,445</u>

**Note 8 DEFICIT FUND BALANCES**

The following funds had deficits in fund balances or net position at June 30, 2019:

Major governmental funds:	
General Fund	1,911,118
Major enterprise funds:	
Sewer Fund	56,062

**Note 9 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, 2019:

	<u>Due from other funds</u>	<u>Due to other funds</u>
<b>MAJOR GOVERNMENTAL FUNDS</b>		
General Fund	\$ -	\$ 281,109
Sacramento Transportation	<u>121,579</u>	<u>-</u>
Total major governmental funds	<u>121,579</u>	<u>281,109</u>
<b>OTHER GOVERNMENTAL FUNDS</b>		
Gas Tax	-	9,917
Local Transportation	78,021	-
Lighting and Landscaping Assessment District	<u>69,396</u>	<u>-</u>
Total other governmental funds	<u>147,417</u>	<u>9,917</u>
Total governmental funds	<u>268,996</u>	<u>291,026</u>
<b>MAJOR BUSINESS-TYPE FUNDS</b>		
Sewer	<u>22,030</u>	<u>-</u>
Total major business-type funds	<u>22,030</u>	<u>-</u>
Total City	<u>\$ 291,026</u>	<u>\$ 291,026</u>

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 9 INTERFUND TRANSACTIONS (continued)**

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
MAJOR GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 1,109,966
Redevelopment Agency	580,798	-
Redevelopment – Low Income	<u>529,168</u>	<u>-</u>
Total major governmental funds and City	<u>\$ 1,109,966</u>	<u>\$ 1,109,966</u>

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, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 190,327
Supplemental Law Enforcement	<u>13,953</u>	<u>-</u>
Total major governmental funds	<u>13,953</u>	<u>190,327</u>
OTHER GOVERNMENTAL FUNDS		
Developers	<u>176,374</u>	<u>-</u>
Total other governmental funds	<u>176,374</u>	<u>-</u>
Total governmental funds and City	<u>\$ 190,327</u>	<u>\$ 190,327</u>

**Note 10 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. SCORE members have chosen not to cover Employment Practice Liability (EPL) within their \$500,000 limit of coverage, but EPL is part of the excess coverage provided by CJPRMA, EPL coverage through CJPRMA is \$10M with a \$5M aggregate.

**CITY OF ISLETON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 10 RISK MANAGEMENT (continued)**

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., 2180 Harvard Street, Suite 460, Sacramento, CA 95815.

**Note 11 COMMITMENTS AND CONTINGENCIES**

The Isleton City Council during their January 22, 2019 meeting approved an interfund payment plan of \$12,500 each year over the next eight years from the General Fund to the Sewer Fund.

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 12 SPECIAL ITEMS**

Special items are significant transactions within the control of management that are unusual in nature or infrequent in occurrence. In the current year the City refinanced the Sewer fund's Series 2012 Bonds with the Series 2019 Bonds. Costs associated with the refinancing are being reported as special items.

**Note 13 PRIOR PERIOD ADJUSTMENT**

In the prior year the liability due the Sacramento County Sheriff's Department, accounts payable plus installment payable, was overstated by \$25,614.

**Note 14 SUBSEQUENT EVENTS**

Subsequent to June 30, 2019 the City renegotiated the terms of certain installments payable. The results of those negotiations are reflected in the current year.

Other than mentioned above, management of the City has evaluated the events subsequent to June 30, 2019 for disclosure and has determined that as of December 16, 2021 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, 2019**

**CITY OF ISLETON  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 386,566	\$ 386,566	\$ 383,765	\$ (2,801)
Measure B	111,000	111,000	171,317	60,317
Licenses and permits	100,000	100,000	144,977	44,977
Fines and penalties	15,000	15,000	1,455	(13,545)
Use of money	-	-	4,650	4,650
Charges for services	92,020	92,020	21,697	(70,323)
Intergovernmental	-	-	115,571	115,571
Miscellaneous	<u>75,351</u>	<u>75,351</u>	<u>15,306</u>	<u>(60,045)</u>
Total revenues	<u>779,937</u>	<u>779,937</u>	<u>858,738</u>	<u>78,801</u>
<b>EXPENDITURES</b>				
General government	419,298	419,298	443,362	(24,064)
Public safety	243,048	243,048	276,390	(33,342)
Parks & recreation	10,000	10,000	10,168	(168)
Public ways and facilities	165,000	165,000	137,886	27,114
Community development	-	-	293	(293)
Debt service:				
Principal	-	-	4,095	(4,095)
Interest	-	-	1,217	(1,217)
Capital outlay	<u>-</u>	<u>-</u>	<u>37,281</u>	<u>(37,281)</u>
Total expenditures	<u>837,346</u>	<u>837,346</u>	<u>910,692</u>	<u>(73,346)</u>
Excess of revenues over (under) expenditures	<u>(57,409)</u>	<u>(57,409)</u>	<u>(51,954)</u>	<u>5,455</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(190,327)	(190,327)
Proceeds from the issuance of debt	<u>-</u>	<u>-</u>	<u>22,781</u>	<u>22,781</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(167,546)</u>	<u>(167,546)</u>
Special items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (57,409)</u>	<u>\$ (57,409)</u>	<u>\$ (219,500)</u>	<u>\$ (162,091)</u>

**CITY OF ISLETON  
SUPPLEMENTARY INFORMATION SECTION  
JUNE 30, 2019**

**CITY OF ISLETON  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019**

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Developers Deposits</u>	<u>Lighting and Landscaping Assessment District</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash and investments	\$ 5,527	\$ 43,474	\$ -	\$ -	\$ 49,001
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other funds	<u>-</u>	<u>78,021</u>	<u>-</u>	<u>69,396</u>	<u>147,417</u>
Total assets	<u>\$ 5,527</u>	<u>\$ 121,495</u>	<u>\$ -</u>	<u>\$ 69,396</u>	<u>\$ 196,418</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 190	\$ -	\$ -	\$ -	\$ 190
Deposits payable	-	-	-	-	-
Due to other funds	<u>9,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,917</u>
Total liabilities	<u>10,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,107</u>
<b>Fund Balances:</b>					
Unassigned	<u>(4,580)</u>	<u>121,495</u>	<u>-</u>	<u>69,396</u>	<u>186,311</u>
Total fund balances	<u>(4,580)</u>	<u>121,495</u>	<u>-</u>	<u>69,396</u>	<u>186,311</u>
Total liabilities and fund balances	<u>\$ 5,527</u>	<u>\$ 121,495</u>	<u>\$ -</u>	<u>\$ 69,396</u>	<u>\$ 196,418</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, 2019**

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Developers Deposits</u>	<u>Lighting and Landscaping Assessment District</u>	<u>Total</u>
<b>REVENUES</b>					
Taxes	\$ 36,725	\$ -	\$ -	\$ 75,081	\$ 111,806
Use of money	-	-	9	-	9
Charges for services	-	-	17,506	-	17,506
Intergovernmental	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	<u>36,725</u>	<u>-</u>	<u>17,515</u>	<u>75,081</u>	<u>129,321</u>
<b>EXPENDITURES</b>					
General government	-	-	27,161	-	27,161
Public ways and facilities	<u>48,107</u>	<u>71,801</u>	<u>-</u>	<u>6,452</u>	<u>126,360</u>
Total expenditures	<u>48,107</u>	<u>71,801</u>	<u>27,161</u>	<u>6,452</u>	<u>153,521</u>
Excess of revenues over (under) expenditures	<u>(11,382)</u>	<u>(71,801)</u>	<u>(9,646)</u>	<u>68,629</u>	<u>(24,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	176,374	-	176,374
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>176,347</u>	<u>-</u>	<u>176,347</u>
Net change in fund balance	(11,382)	(71,801)	166,728	68,629	152,174
Fund balance (deficit), beginning of year	<u>6,802</u>	<u>193,296</u>	<u>(166,728)</u>	<u>767</u>	<u>34,137</u>
Fund balance, end of the year	<u>\$ (4,580)</u>	<u>\$ 121,495</u>	<u>\$ -</u>	<u>\$ 69,396</u>	<u>\$ 186,311</u>

CITY OF ISLETON  
ISLETON, CALIFORNIA  
JUNE 30, 2019

CITY COUNCIL

	<u>Position</u>	<u>Term Expires</u>
Eric Pene	Mayor	December, 2022
Pamela Bulahan	Vice Mayor	December, 2022
Dean Dockery	Member	December, 2022
Iva Walton	Member	December, 2022
Robert Janovitz	Member	December, 2022

CITY ADMINISTRATOR  
Charles Bergson

CITY CLERK  
Yvonne Zepeda

CITY TREASURER  
Pamela Bulahan

**CITY OF ISLETON  
OTHER REPORTS  
JUNE 30, 2019**

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

To the City Council  
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 of City of Isleton, California ("City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 consider the deficiencies described in the accompanying schedule of findings and responses as item number 19-03 through 19-04 to be material weaknesses.

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 consider the deficiencies described in the accompanying schedule of findings and responses as items number 19-01 through 19-02 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Isleton, California's financial statements are free from 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 financial statements. 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 19-05 through 19-06.

### **City of Isleton's Response to Findings**

The City of Isleton, California's response to the findings identified in my 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Don Cole & Company  
Sacramento, California

December 16, 2021

**CITY OF ISLETON  
FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED  
JUNE 30, 2019**

**CITY OF ISLETON  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

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

**19-01. BUDGET**

**Finding:** In reviewing actual expenditures versus the budgeted expenditures of the General Fund it was noted that there are significant disparities between the actual amounts and the budget amounts. Revenues in the current year were 10.1% higher than budgeted and expenditures were 8.8% higher than budgeted. Good fiscal management requires the continued monitoring of actual expenditures 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 Manager in 2018 found no documented budget nor was there a financial advisor upon entering this position. Given that the revenues and expenditure are essentially equally distant from the actual, this is indicative that management has control on expenditures and is adjusting the budget revenues and expenditures as data and financial pattern are established.

**19-02. 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 new consulting finance advisor is this advisor is preparing written policies for all financial processes. These will be in place by 01 January 2021.

**19-03. ACCURACY OF FINANCIAL REPORTING**

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

- a) Bank reconciliations are not being performed accurately and on a timely basis:
  - i. The City has a bank account that does not reconcile to the general ledger – amount immaterial.
  - ii. The LAIF accounts in the general fund and redevelopment-low income fund do not reconcile to the statements.
  - iii. Money received subsequent to year end are being record as current year cash.
- b) The general fund accounts receivable trial balance and aging included a customer balance of unknown origin labelled “Isleton Audit” in the amount of \$7,438.44.
- c) Accruals are not accounted for correctly:
  - i. Current year property taxes received subsequent to the fiscal year end were recorded as revenue but the receivable was recorded as cash.
  - ii. The City’s current year reversal of prior year accruals were improperly recorded.
  - iii. The City didn’t record all of its sales tax, Measure B sales tax and Measure C sales tax.

**CITY OF ISLETON  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

19-03. ACCURACY OF FINANCIAL REPORTING (continued)

- d) Installments payable are not being accounted for correctly:
  - i. Certain installment payable payments made were incorrectly recorded as a current year expenditure.
  - ii. Current year expenditures were incorrectly added to installments payable.
  - iii. Payables in excess of the City's agreements with the vendors were improperly recorded in installments payable.
- e) The City is not accounting for its policing activity properly:
  - i. The City recorded its Citizens' Option for Public Safety grant revenue and its Prop 172 Allocation revenue in the improper fund.
  - ii. The City did not record all its current year's Sacramento County Sheriff's Department expenditures.
  - iii. The expenditures recorded were in the improper fund.
- f) Certain Measure B sales taxes were not recorded in the proper account.
- g) The City's current accounting system is not suitable for the needs of the City.
- h) The City recorded its 2019/20 Recycling Grant in the current year.
- i) The City did not properly record its new governmental fund truck lease in accordance with modified accrual accounting:
  - a. The City recorded the lease as a liability in the General Fund.
  - b. The City recorded the truck as an asset in the General Fund.
  - c. The first payment of the lease was recorded as a reduction of an asset and a miscellaneous expense.
- j) The City did not properly record its new enterprise fund sewer pump purchases in accordance with accrual accounting when it recorded the purchase as an expense.
- k) The collection of tax roll receivables subsequent to year-end was recorded as revenue and cash.
- l) The City recorded an asset (accounts receivable) and a liability (deferred revenue) for an event that hadn't happened.
- m) The City recorded revenue and a receivable for an event that hadn't happened.
- n) The City eliminated a Local Agency Investment Fund account that still exists.

Recommendation: I recommend the City purchase an accounting system suitable for a multi-fund entity. I further recommend that bank reconciliations are performed accurately and on a timely basis. Further 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: During this time frame, Fiscal Year 2018-19 and the couple years leading up to this fiscal year, City accounting was handled by five personnel and including a consulting accountant. Beginning in 2019, the City retained a professional public accountant to oversee the finance function. This accountant has addressed all matters contained in this section and establish financial practices and procedures. The finding in 18-03 are presently being address and corrected. It is expected that this item will be completed by 01 January 2021.



**CITY OF ISLETON  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

**19-04. ACCESS TO THE ACCOUNTING SYSTEM**

Finding: Shortcomings in the internal control over access to the accounting system is demonstrated by the following:

- a) The City Manager has access to the accounting system.
- b) The Sewer receivables/billing clerk has access to the accounting system.
- c) The City Manager has asked the receivable/billing clerk to write checks.

Recommendation: I recommend the City limit access to its accounting system to authorized personnel only. A sound internal control structure would restrict the City Manager's and receivable/billing clerk's access to the accounting system.

City response: A) The City Manager access to accounting is for information only. B) The Sewer receivables/billing clerk has been removed from access to the accounting system. C) In December 2018 the City Manager discovered that the receivables/billing clerk and the public works director were writing City checks. The City Manager removed this authority from both in early January 2018 and restricted check writing to the City Manager, City Treasurer and one member of City Council.

**19-05. MEASURE B COMPLIANCE**

Finding: Section 12 Expenditure Plan, item C. of Measure B states "the Council shall appoint a committee consisting of no fewer than five individuals to review and report on the receipt of revenue and expenditure of funds from the tax authorized by this ordinance." As of June 30, 2019, no committee has been appointed.

Recommendation: I recommend the Council appoint a committee as required by Section 12 item C.

City response: After the passage of Measure B, the City solicited oversight committee members for Measure B funds for over two years and did not get applicants to empanel a committee. The City was able to empanel and activate the oversight committee in August 2019. This committee has met three times since forming.

**19-06. 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 Manager has requested the records from the USDA to establish the proper expenditure of these funds. This request was made in 2019. The USDA representative advised in 2019 that should they not be able to access and provide the records, they will recommend that the City consider this expenditure paid and removed from City records. There has been multiple USDA representatives servicing Isleton over the past couple of years. Staff will continue to pursue this inquiry to recertification.

**CITY OF ISLETON  
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

**18-01. BUDGET**

**Finding:** In reviewing actual expenditures versus the budgeted expenditures of the General Fund it was noted that there are significant disparities between the actual amounts and the budget amounts. Revenues in the current year were 28.4% lower than budgeted and expenditures were 28.0% lower than budgeted. Good fiscal management requires the continued monitoring of actual expenditures 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:** Both General Fund revenues and expenditures were over budgeted by 10.1% and 8.8% respectively.

**18-02. 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 in the current year.

**18-03. ACCURACY OF FINANCIAL REPORTING**

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

- a) Bank reconciliations are not being performed accurately and on a timely basis:
  - i. The fire department equipment account shows an unreconciled deposit in transit of \$6,229.97 as well as an unreconciled outstanding check in the same amount.
  - ii. \$11,000 deposit was recorded both in the general fund main checking account and in the fire department equipment account.
  - iii. The measure A checking account shows \$3,130.56 as a deposit in transit for 11 months.
  - iv. The fire department equipment account does not reconcile - \$115 understated.
  - v. The sewer fund account does not reconcile - \$166 overstated.
  - vi. The sewer fund reserve account does not reconcile - \$1,770 understated.
  - vii. The LAIF accounts in the general fund and redevelopment-low income fund do not reconcile to the statements.
- b) QuickBooks was unable to produce an aging of the general fund's accounts receivable that agreed with the trial balance. The general fund trial balance shows the accounts receivable balance to be \$21,895.60. QuickBooks produced a general fund accounts receivable aging as of June 30, 2019 on 7/5/19 that totaled \$21,737.84, then the same aging on 7/15/19 totaled \$21,627.84 – the difference between the two agings was due to The Hair Loom balance of \$110 being dropped off the second aging.
- c) The general fund accounts receivable trial balance and aging included a customer balance of unknown origin labelled "Isleton Audit" in the amount of \$17,206.27.

**CITY OF ISLETON  
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

- d) Accruals are not accounted for correctly:
  - i. Current year property taxes received subsequent to the fiscal year end were not recorded as revenue and a receivable.
  - ii. End of the year expenditures were not accrued in the current year.
  - iii. The City's current year reversal of prior year accruals were improperly recorded.
- e) Vendor invoices are not being recorded correctly resulting in various vendors with negative balances in the aging of accounts payable.
- f) Installments payable are not being accounted for correctly:
  - i. Beginning installments payable balances didn't equal the prior year ending balances.
  - ii. Certain installment payable payments made were incorrectly recorded in accounts payable.
  - iii. Certain installment payable payments made were incorrectly recorded as a current year expenditure.
  - iv. Adjustments made to installments payable were unwarranted.
  - v. Current year expenditures were incorrectly added to installments payable.
- g) The Sewer fund's purchase of a backhoe was not accounted for correctly:
  - i. The down payment of the Sewer fund purchase of a backhoe was recorded as an expense.
  - ii. The total value of the Sewer fund backhoe was not recorded.
  - iii. The lease associated with the Sewer fund's purchase of a backhoe wasn't recorded.
  - iv. The first payment of the backhoe lease was recorded as an expense rather than as a reduction of the lease obligation.
- h) Payments made in accordance with the memorandum of understanding between the Sewer fund and the Local Transportation, Measure A funds for the purpose of renting the Sewer fund's backhoe were not accounted for correctly:
  - i. Payments received by the Sewer fund from the Local Transportation fund were improperly recorded by the Sewer fund as a miscellaneous revenue rather than as current year use of money revenue.
  - ii. Payments received by the Sewer fund from the Measure A fund were improperly recorded by the Sewer fund as a reduction of the asset account "due from other funds" rather than as current year use of money revenue.
  - iii. Payments made by the Measure A fund to the Sewer fund were improperly recorded by the Measure A fund as an increase of the asset account "due from other funds" rather than as current year expenditure.
- i) The City is not accounting for its policing activity properly:
  - i. The City did not record its Citizens' Option for Public Safety grant revenue or its Prop 172 Allocation revenue.
  - ii. The City did not record its current year's Sacramento County Sheriff's Department expenditures.

**CITY OF ISLETON  
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

- j) Debt service on the enterprise funds' long-term debt is not being accounted for correctly:
  - i. The payment on the Sewer fund's Series 2012 Bonds were made by the USDA Sewer Project fund, therefore the Sewer fund's long-term debt was not reduced.
  - ii. The payment on the Sewer fund's Series 2012 Bonds were made by the USDA Sewer Project fund, therefore the Sewer fund's current year interest expense was not recorded.
  - iii. The payment on the Sewer fund's Series 2012 Bonds were made by the USDA Sewer Project fund resulting in the improper recording of the payment as an expense in the USDA Sewer Project fund.
  - iv. USDA Sewer Project interest expense on its Certificates of Participation were expensed to the improper account.
- k) Certain Measure B sales taxes were not recorded in the proper account.
- l) Unearned Measure A funds received were improperly recorded as current year revenue.
- m) Certain reoccurring costs are allocated in an inconsistent manner.
- n) Current year "transfers in" didn't equal current year "transfers out."
- o) Current year indirect cost allocations were out of balance.
- p) The City made an undocumented transfer of \$10,000 from the Sewer fund to the Supplemental Law Enforcement fund.
- q) The City is using the USDA Sewer Project fund (an element of the Sewer fund) as a debt service fund.
- r) The City's current accounting system is not suitable for the needs of the City.

Recommendation: I recommend the City purchase an accounting system suitable for a multi-fund entity. I further recommend that bank reconciliations are performed accurately and on a timely basis. Further 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) i: resolved	e): resolved	l): resolved
	a) ii: resolved	f) i: resolved	m): resolved
	a) iii: resolved	f) ii: resolved	n): resolved
	a) iv: resolved	f) iii: repeat in the current year	o): resolved
	a) v: resolved	f) iv: resolved	p): not repeated in the current year
	a) vi: resolved	f) v: repeat in the current year	q): resolved
	b): resolved	g): resolved	r): repeat in the current year
	c): repeat in the current year	h): resolved	
	d) i: repeat in the current year	i): repeat in the current year	
	d) ii: resolved	j): resolved	
	d) iii: repeat in the current year	k): repeat in the current year	

**CITY OF ISLETON  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2019**

**18-04. ACCESS TO THE ACCOUNTING SYSTEM**

Finding: Shortcomings in the internal control over access to the accounting system is demonstrated by the following:

- a) The City Manager has access to the accounting system.
- b) The Sewer receivables/billing clerk has access to the accounting system.
- c) The City Manager has asked the receivable/billing clerk to write checks.

Recommendation: I recommend the City limit access to its accounting system to authorized personnel only. A sound internal control structure would restrict the City Manager's and receivable/billing clerk's access to the accounting system.

Status: Repeat in the current year.

**18-05. MEASURE B COMPLIANCE**

Finding: Section 12 Expenditure Plan, item C. of Measure B states "the Council shall appoint a committee consisting of no fewer than five individuals to review and report on the receipt of revenue and expenditure of funds from the tax authorized by this ordinance." As of June 30, 2019, no committee has been appointed.

Recommendation: I recommend the Council appoint a committee as required by Section 12 item C.

Status: Repeat in the current year.

**18-06. 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 in the current year.