

CITY OF FIREBAUGH

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Firebaugh, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Firebaugh, California, (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Firebaugh, California, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Changes in City's Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 44 – 45, page 46, page 47, and page 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

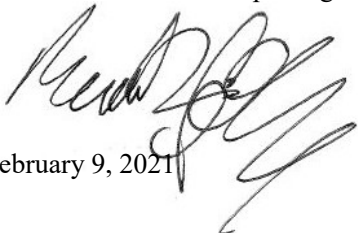
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Firebaugh's basic financial statements. The combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2021, on our consideration of the City of Firebaugh's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Firebaugh's internal control over financial reporting and compliance.

February 9, 2021

A handwritten signature in black ink, appearing to be "Michael J. [unclear]", written over the date "February 9, 2021".

CITY OF FIREBAUGH

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 8,250,634	\$ 6,349,166	\$ 14,599,800
Accounts receivable (net of allowance)	667,787	278,562	946,349
Due from other governments	13,510	80,317	93,827
Interest receivable	22,868	-	22,868
Notes and loans receivable	1,755,293	-	1,755,293
Internal balances	(815,007)	815,007	-
Capital assets, net of allowance for depreciation	4,417,093	17,829,820	22,246,913
Total assets	<u>14,312,178</u>	<u>25,352,872</u>	<u>39,665,050</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,046,974</u>	<u>225,405</u>	<u>1,272,379</u>
LIABILITIES			
Accounts payable	223,248	89,117	312,365
Accrued expenses	92,328	27,819	120,147
Accrued interest payable	4,523	109,813	114,336
Deposits	9,741	83,292	93,033
Compensated absences	165,010	36,298	201,308
Long-term liabilities:			
Bonds payable:			
Due within one year	34,000	325,517	359,517
Due in more than one year	551,733	11,703,067	12,254,800
Net other post employment benefits	3,190,827	1,378,595	4,569,422
Net pension liability	3,092,857	403,550	3,496,407
Total liabilities	<u>7,364,267</u>	<u>14,157,068</u>	<u>21,521,335</u>
DEFERRED INFLOWS OF RESOURCES	<u>518,341</u>	<u>194,266</u>	<u>712,607</u>
NET POSITION			
Net investment in capital assets	3,831,360	6,648,961	10,480,321
Restricted for:			
Debt service	5,428	67,427	72,855
Public ways and facilities	1,549,589	-	1,549,589
Public safety programs	188,825	-	188,825
Low-income housing activities	341,333	-	341,333
Capital projects and improvements	1,317,117	-	1,317,117
Unrestricted	242,892	4,510,555	4,753,447
Total net position	<u>\$ 7,476,544</u>	<u>\$ 11,226,943</u>	<u>\$ 18,703,487</u>

See accompanying notes.

CITY OF FIREBAUGH

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 387,824	\$ 59,219	\$ 22,327	\$ -	\$ (306,278)	\$ -	\$ (306,278)
Public ways and facilities	1,262,779	479,483	946,111	144,478	307,293	-	307,293
Public protection	3,086,968	190,128	234,562	-	(2,662,278)	-	(2,662,278)
Culture and recreation	325,305	15,659	-	-	(309,646)	-	(309,646)
Community development	716,807	402,696	-	369,376	55,265	-	55,265
Debt Service							
Interest and fiscal charges	21,769	-	-	-	(21,769)	-	(21,769)
Total governmental activities	5,801,452	1,147,185	1,203,000	513,854	(2,937,413)	-	(2,937,413)
Business-type activities							
Sewer	1,360,423	1,566,772	272	134,659	-	341,280	341,280
Water	1,961,766	1,738,123	-	-	-	(223,643)	(223,643)
Total business-type activities	3,322,189	3,304,895	272	134,659	-	117,637	117,637
Total primary government	9,123,641	4,452,080	1,203,272	648,513	(2,937,413)	117,637	(2,819,776)
General Revenue							
Property taxes					446,229	-	446,229
Sales and use taxes					2,505,086	-	2,505,086
Franchise taxes					128,494	-	128,494
Grants and contributions - unrestricted					1,392	-	1,392
Interest and investment earnings					80,516	80,014	160,530
Miscellaneous					266,945	2,177	269,122
Gain on sale of assets					6,050	-	6,050
Total general revenue					3,434,712	82,191	3,516,903
Change in Net Position					497,299	199,828	697,127
Net Position							
Beginning of year					6,979,245	11,027,115	18,006,360
End of year					\$ 7,476,544	\$ 11,226,943	\$ 18,703,487

See accompanying notes.

CITY OF FIREBAUGH

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2020

	General	Community Development	Housing	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,763,795	\$ 128,378	\$ 318,465	\$ 2,039,996	\$ 8,250,634
Accounts receivable	380,914	157,884	-	128,989	667,787
Due from other governments	1,437	12,073	-	-	13,510
Due from other funds	279,550	-	-	-	279,550
Interest receivable	-	-	22,868	-	22,868
Notes and loans receivable	-	-	1,755,293	-	1,755,293
Total assets	<u>\$ 6,425,696</u>	<u>\$ 298,335</u>	<u>\$ 2,096,626</u>	<u>\$ 2,168,985</u>	<u>\$ 10,989,642</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expense	\$ 151,444	\$ 53,808	\$ -	\$ 17,996	\$ 223,248
Accrued salaries and benefits	155,761	-	-	27,355	183,116
Interest payable	4,523	-	-	-	4,523
Due to other funds	-	279,550	-	-	279,550
Advances from other funds	815,007	-	-	-	815,007
Deposits	9,741	-	-	-	9,741
Total liabilities	<u>1,136,476</u>	<u>333,358</u>	<u>-</u>	<u>45,351</u>	<u>1,515,185</u>
Deferred inflows of resources					
Unavailable revenues	-	-	1,755,293	-	1,755,293
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,755,293</u>	<u>-</u>	<u>1,755,293</u>
Fund Balance					
Restricted					
Debt service	5,428	-	-	-	5,428
Public ways and facilities	-	-	-	1,549,589	1,549,589
Public safety programs	-	-	-	188,825	188,825
Low-income housing activities	-	-	341,333	-	341,333
Capital projects and improvements	931,897	-	-	385,220	1,317,117
Unassigned	4,351,895	(35,023)	-	-	4,316,872
Total fund balance	<u>5,289,220</u>	<u>(35,023)</u>	<u>341,333</u>	<u>2,123,634</u>	<u>7,719,164</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,425,696</u>	<u>\$ 298,335</u>	<u>\$ 2,096,626</u>	<u>\$ 2,168,985</u>	<u>\$ 10,989,642</u>

See accompanying notes.

CITY OF FIREBAUGH

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2020

Total governmental fund balance	\$ 7,719,164
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Notes receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	1,755,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	4,417,093
Deferred outflows of resources related to net pension liability and post- retirement health benefits, represent a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expenses) until that time	1,046,974
Post-retirement health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds	(3,190,827)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds Notes and capital lease payable	(585,732)
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the governmental funds	(3,092,857)
Deferred inflows of resources related to net pension liability, represent an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	(518,341)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(74,223)</u>
Net position of governmental activities	<u>\$ 7,476,544</u>

CITY OF FIREBAUGH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	General	Community Development	Housing	Non-Major Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 3,044,093	\$ -	\$ -	\$ 35,716	\$ 3,079,809
Licenses and permits	461,790	-	-	52,224	514,014
Intergovernmental	172,766	365,626	3,750	1,174,712	1,716,854
Charges for services	611,727	-	-	-	611,727
Fines and forfeitures	21,444	-	-	-	21,444
Loan repayments	-	-	151,000	-	151,000
Investment income	29,413	-	41,588	9,515	80,516
Other	268,313	-	-	38	268,351
Total revenue	<u>4,609,546</u>	<u>365,626</u>	<u>196,338</u>	<u>1,272,205</u>	<u>6,443,715</u>
Expenditures					
Current					
General government	305,382	-	-	-	305,382
Public ways and facilities	581,081	-	-	619,279	1,200,360
Public protection	2,180,365	-	-	123,908	2,304,273
Culture and recreation	291,211	-	-	4,155	295,366
Community development	499,483	205,366	-	-	704,849
Capital outlay	378,760	305,203	-	77,907	761,870
Debt Service					
Principal	126,338	-	-	-	126,338
Interest and fiscal charges	21,769	-	-	-	21,769
Total expenditures	<u>4,384,389</u>	<u>510,569</u>	<u>-</u>	<u>825,249</u>	<u>5,720,207</u>
Revenue over/(under) expenditures	225,157	(144,943)	196,338	446,956	723,508
Other Financing Sources/(Uses)					
Sale of assets	6,050	-	-	-	6,050
Transfers in	-	128,378	-	-	128,378
Transfers out	(128,378)	-	-	-	(128,378)
Total other financing sources/(uses)	<u>(122,328)</u>	<u>128,378</u>	<u>-</u>	<u>-</u>	<u>6,050</u>
Change in Fund Balance	102,829	(16,565)	196,338	446,956	729,558
Fund Balance					
Beginning of year	5,186,391	(18,458)	144,995	1,676,678	6,989,606
End of year	<u>\$ 5,289,220</u>	<u>\$ (35,023)</u>	<u>\$ 341,333</u>	<u>\$ 2,123,634</u>	<u>\$ 7,719,164</u>

See accompanying notes.

CITY OF FIREBAUGH

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net change in fund balance - total governmental funds \$ 729,558

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

Depreciation expense on capital assets is reported in the Statement of
Activities, but they does not require the use of current financial
resources, therefore, depreciation expense is not reported as
expenditures in the Governmental Funds (403,955)

Governmental Funds report capital outlay as expenditures. However,
in the Statement of Activities the cost of those assets are capitalized
as an asset and depreciated over the period of service 761,870

Post-retirement benefit costs in the Statement of Activities does not
require the use of current financial resources and, therefore,
are not reported as expenditures in the Governmental Funds (273,758)

Repayment of long-term notes receivable is revenue in governmental
funds, but the repayment reduces long-term assets in the statement
of net position (151,000)

Pension expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in the Governmental Funds (217,531)

Compensated absence costs in the Statement of Activities does not
require the use of current financial resources and, therefore, are
not reported as expenditures in the Governmental Funds (74,223)

Repayment of loans and capital leases principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets 126,338

Change in net position of governmental activities \$ 497,299

CITY OF FIREBAUGH

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and investments	\$ 3,143,088	\$ 3,206,078	\$ 6,349,166
Accounts and interest receivable	157,441	121,121	278,562
Due from government	77,108	3,209	80,317
Total current assets	<u>3,377,637</u>	<u>3,330,408</u>	<u>6,708,045</u>
Non-current assets			
Advances to other funds	735,007	80,000	815,007
Property, plant and equipment, net of allowance for depreciation	6,451,845	11,377,975	17,829,820
Total noncurrent assets	<u>7,186,852</u>	<u>11,457,975</u>	<u>18,644,827</u>
Total assets	<u>10,564,489</u>	<u>14,788,383</u>	<u>25,352,872</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>112,419</u>	<u>112,986</u>	<u>225,405</u>
LIABILITIES			
Current liabilities			
Accounts payable	35,040	54,077	89,117
Accrued expenses	29,490	34,627	64,117
Accrued interest	61,464	48,349	109,813
Deposits	-	83,292	83,292
Current portion of long-term debt	106,932	218,585	325,517
Total current liabilities	<u>232,926</u>	<u>438,930</u>	<u>671,856</u>
Non-current liabilities			
Bonds payable	4,680,312	7,022,755	11,703,067
Net other pension benefits	699,579	679,016	1,378,595
Net pension liability	198,721	204,829	403,550
Total noncurrent liabilities	<u>5,578,612</u>	<u>7,906,600</u>	<u>13,485,212</u>
Total liabilities	<u>5,811,538</u>	<u>8,345,530</u>	<u>14,157,068</u>
DEFERRED INFLOWS OF RESOURCES	<u>96,669</u>	<u>97,597</u>	<u>194,266</u>
NET POSITION			
Net investment in capital assets	1,989,585	4,659,376	6,648,961
Restricted for debt service	25,849	41,578	67,427
Unrestricted	2,753,267	1,757,288	4,510,555
Total net position	<u>\$ 4,768,701</u>	<u>\$ 6,458,242</u>	<u>\$ 11,226,943</u>

See accompanying notes.

CITY OF FIREBAUGH

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total Proprietary Funds
Operating Revenue			
Charges for services	\$ 1,566,772	\$ 1,738,123	\$ 3,304,895
Total operating income	<u>1,566,772</u>	<u>1,738,123</u>	<u>3,304,895</u>
Operating Expense			
Personnel	585,207	575,079	1,160,286
Utilities	124,259	342,137	466,396
Supplies and materials	29,550	61,269	90,819
Maintenance and operations	41,232	122,042	163,274
Contractual services	110,085	75,575	185,660
Depreciation	229,928	481,274	711,202
Other expenses	<u>77,374</u>	<u>48,155</u>	<u>125,529</u>
Total operating expense	<u>1,197,635</u>	<u>1,705,531</u>	<u>2,903,166</u>
Operating income/(loss)	<u>369,137</u>	<u>32,592</u>	<u>401,729</u>
Nonoperating Revenue/(Expense)			
Investment income	33,204	46,810	80,014
Other revenue	871	1,306	2,177
Interest expense	<u>(162,788)</u>	<u>(256,235)</u>	<u>(419,023)</u>
Total nonoperating revenue/(expense) before capital contributions	<u>(128,713)</u>	<u>(208,119)</u>	<u>(336,832)</u>
Capital Contributions	<u>134,931</u>	<u>-</u>	<u>134,931</u>
Change in Net Position	<u>375,355</u>	<u>(175,527)</u>	<u>199,828</u>
Net Position			
Beginning of year	<u>4,393,346</u>	<u>6,633,769</u>	<u>11,027,115</u>
End of year	<u>\$ 4,768,701</u>	<u>\$ 6,458,242</u>	<u>\$ 11,226,943</u>

CITY OF FIREBAUGH

STATEMENT OF CASH FLOW – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total Proprietary Funds</u>
Operating Activities			
Receipts from customers and users	\$ 1,563,233	\$ 1,765,465	\$ 3,328,698
Payment to suppliers of goods and services	(388,922)	(676,254)	(1,065,176)
Payment to employees	(520,587)	(515,762)	(1,036,349)
Net cash provided by (used in) operating activities	<u>653,724</u>	<u>573,449</u>	<u>1,227,173</u>
Non-capital Financial Activities			
Payments from other governments	157,901	1,306	159,207
Payments received from (paid to) other funds	60,458	97,247	157,705
Net cash provided by (used in) noncapital financing activities	<u>218,359</u>	<u>98,553</u>	<u>316,912</u>
Capital and Related Financing Activities			
Purchase of property, plant and equipment	(1,319,690)	(1,906,137)	(3,225,827)
Principal paid on long-term debt	(70,000)	(162,444)	(232,444)
Interest paid on long-term debt	(141,773)	(222,050)	(363,823)
Net cash provided by (used in) capital and related financing activities	<u>(1,531,463)</u>	<u>(2,290,631)</u>	<u>(3,822,094)</u>
Investing Activities			
Interest received	33,204	46,810	80,014
Net cash provided by investing activities	<u>33,204</u>	<u>46,810</u>	<u>80,014</u>
Net Increase (Decrease) in Cash	(626,176)	(1,571,819)	(2,197,995)
Cash			
Beginning of year	3,769,264	4,777,897	8,547,161
End of year	<u>\$ 3,143,088</u>	<u>\$ 3,206,078</u>	<u>\$ 6,349,166</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ 369,137	\$ 32,592	\$ 401,729
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	229,928	481,274	711,202
(Increase) Decrease in Accounts Receivable	(3,539)	26,189	22,650
(Increase) Decrease in Deferred Outflows of Resources	(15,742)	(8,559)	(24,301)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(6,422)	(27,076)	(33,498)
Increase (Decrease) in Deposits	-	1,153	1,153
Increase (Decrease) in Compensated Absences	32	(383)	(351)
Increase (Decrease) in Deferred Inflows of Resources	58,397	50,992	109,389
Increase (Decrease) in OPEB liability	88,805	86,194	174,999
Increase (Decrease) in Net Pension Liability	(66,872)	(68,927)	(135,799)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 653,724</u>	<u>\$ 573,449</u>	<u>\$ 1,227,173</u>

CITY OF FIREBAUGH

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2020

Assets

Cash and investments	\$ 812,232
Total assets	<u>812,232</u>

Liabilities

Accounts payable and accrued liabilities	4,545
Interest payable	22,222
Long-term debt	
Due within one year	240,468
Due in more than one year	<u>5,147,171</u>
Total liabilities	<u>5,414,406</u>

Net Position

Held in trust for other governments	<u>\$ (4,602,174)</u>
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CITY OF FIREBAUGH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2020

Additions

Property taxes	\$ 432,467
Investment earnings	<u>3,895</u>
Total additions	436,362

Deductions

Program expenses	301,666
Interest and fiscal agency expenses	<u>272,376</u>
Total deductions	<u>574,042</u>

Change In Net Position (137,680)

Net Position

Beginning of year	<u>(4,464,494)</u>
End of year	<u>\$ (4,602,174)</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Firebaugh (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City of Firebaugh, State of California (the "City"), was incorporated in 1914. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water and sewer; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, 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 and between the City and its component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Community Development Fund – The Community Development Fund was established to account for the monies received from various sources which are to be used for the design and construction of various projects.

Housing Fund – The Housing Fund is used to account for grant revenues and expenditures related to housing assistance loans for low income individuals (HOME grants) and businesses (Low Moderate Housing Assets).

The City reports the following additional fund types:

Private-Purpose Trust Fund – The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

Basis of Accounting

The Government-Wide and Proprietary 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 taxes, 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 eligible requirements have been satisfied.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

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 compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Investments – Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

Accounts Receivable – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year-end accrual for services through June 30, 2020, which have not yet been billed.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Secured property taxes are due in two installments, on November 1 and March 1, and become a lien on those dates. They become delinquent on December 10 and April 10, respectively. Collection of delinquent accounts is the responsibility of the County, which retains all penalties collected. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds – This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets – Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Depreciable asset</u>	<u>Years</u>
Buildings	10-40
Improvements	10-40
Machinery and equipment	3-20
Utility system	5-50
Infrastructure	15-50

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the City's policy to permit all employees to accumulate earned but unused vacation and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday and any compensation time that is expected to be paid with expendable available financial resources is reported as expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Sick leave can be accumulated, but vesting is limited and will not be paid upon termination. However, in past years unused sick leave could be used to pay post-employment health insurance. One retiree has unused benefits of \$84,776 at year end and this amount is reported as a compensated absence liability. For this reason, the City does not accrue any costs relating to sick leave.

Unearned Revenue – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to uncollected outstanding, performing loans and intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Long-Term Obligations – In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on 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 the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Non-Current Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

Pension Plan – All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note 9 for further discussion.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Bond Discount and Issuance Costs – For governmental funds, bond discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For business-type funds, bond discounts, are deferred and amortized over the life, of the bonds. Bonds payable are reported net of applicable bond discounts. Issuance costs are expensed.

Net Position/Fund Balance – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the City, not restricted for any project or other purpose.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Firebaugh Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 14,599,800
Fiduciary Funds:	
Cash and Investments	<u>812,232</u>
Total Cash and Investments	<u>\$ 15,412,032</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 431
Deposits with Financial Institutions	11,931,781
Cash with Fiscal Agent	915,964
Local Agency Investment Fund	<u>2,563,856</u>
Total Cash and Investments	<u>\$ 15,412,032</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2020 Balance</u>
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$ 2,563,856	\$ -	\$ 2,563,856
Total Equity Securities	<u>-</u>	<u>2,563,856</u>	<u>-</u>	<u>2,563,856</u>
Cash and cash equivalents carried at cost:				
Bank Deposits and Cash on Hand				11,932,212
Cash with Fiscal Agent				<u>915,964</u>
Total Cash and Cash Equivalents carried at cost				<u>12,848,176</u>
Total Cash and Investments				<u>\$ 15,412,032</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	AAA	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	A-1	None
Money Market Mutual Funds	None	A	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	A-1	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio
Local Agency Bonds	1 year	None	None
U.S. Treasury Obligations	1 year	A	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	None	40%
Commercial Paper	270 days	None	25%
Negotiable Certificates of Deposit	1 year	None	30%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	None	20% of base value
Medium-Term Notes	5 years	A	30%
Mutual Funds	N/A	A	20%
Money Market Mutual Funds	N/A	A	20%
Mortgage Pass-Through Securities	5 years	AA	20%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020 the City had the following investments.

Investment Type	June 30, 2020	
	Balance	Maturity Date
Equity Securities:		
LAIF	\$ 2,563,856	N/A
Total Equity Securities	\$ 2,563,856	

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	June 30, 2020 Balance	Minimum Legal Rating	Rating of Year End
Equity Securities:			
LAIF	<u>\$ 2,563,856</u>	<u>N/A</u>	<u>Not Rated</u>
Total Equity Securities	<u>\$ 2,563,856</u>		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total City investments.

Custodial Credit Risk

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

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

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

Investment in State Investment Pool

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

Note 4 – Notes Receivable

Revolving Loan Program – Long-term loans receivable of \$1,405,293 represent monies loaned to homebuyers in connection with a downpayment assistance programs. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30 year deferral period. At the time of sale, the seller pays the loan balance in full plus interest, ranging from 0% to 4%. For the homebuyer loan program, starting at the end of the 30 year deferral period, the borrower is required to repay the loan over the following 15 years.

Firebaugh San Joaquin Vista Associates – During fiscal year 2000, the Redevelopment Agency of the City of Firebaugh loaned Firebaugh San Joaquin Vista Associates \$200,000 as a subsidy in connection with a low income apartment. The note carries an interest rate of 3% and matures during 2055. The terms of the agreement specify that payments of the outstanding principal and accrued interest shall be paid annually in the amount equal to 30% of available project revenues. Payments made shall be credited first against accrued interest and then against outstanding principal. There have been no required payments to date on this note.

San Joaquin Development LLC – During fiscal year 2009, the Redevelopment Agency of the City of Firebaugh loaned San Joaquin Development LLC \$150,000 in connection with the construction of low-income condominiums. The note is non-interest bearing and is repayable upon sale of each unit at the rate of \$7,134 per unit. There have been no repayments on principal to date on this note.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 372,922	\$ -	\$ -	\$ 372,922
Construction in progress	-	606,438	-	606,438
Total capital assets, not being depreciated	<u>372,922</u>	<u>606,438</u>	<u>-</u>	<u>979,360</u>
Capital assets, being depreciated				
Buildings and improvements	2,468,657	6,200	-	2,474,857
Infrastructure	1,570,156	28,619	-	1,598,775
Machinery and equipment	2,565,664	120,613	-	2,686,277
Total capital assets, being depreciated	<u>6,604,477</u>	<u>155,432</u>	<u>-</u>	<u>6,759,909</u>
Less accumulated depreciation for:				
Buildings and improvements	(785,068)	(71,087)	-	(856,155)
Infrastructure	(169,683)	(39,432)	-	(209,115)
Machinery and equipment	(1,963,470)	(293,436)	-	(2,256,906)
Total accumulated depreciation	<u>(2,918,221)</u>	<u>(403,955)</u>	<u>-</u>	<u>(3,322,176)</u>
Total capital assets, being depreciated, net	<u>3,686,256</u>	<u>(248,523)</u>	<u>-</u>	<u>3,437,733</u>
Governmental activities capital assets, net	<u>\$ 4,059,178</u>	<u>\$ 357,915</u>	<u>\$ -</u>	<u>\$ 4,417,093</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 203,705	\$ -	\$ -	\$ 203,705
Construction in progress	-	3,225,827	-	3,225,827
Total capital assets, not being depreciated	<u>203,705</u>	<u>3,225,827</u>	<u>-</u>	<u>3,429,532</u>
Capital assets, being depreciated				
Buildings and infrastructure	24,284,841	-	-	24,284,841
Machinery and equipment	1,173,559	-	-	1,173,559
Total capital assets, being depreciated	<u>25,458,400</u>	<u>-</u>	<u>-</u>	<u>25,458,400</u>
Less: accumulated depreciation	<u>(10,346,910)</u>	<u>(711,202)</u>	<u>-</u>	<u>(11,058,112)</u>
Total capital assets, being depreciated, net	<u>15,111,490</u>	<u>(711,202)</u>	<u>-</u>	<u>14,400,288</u>
Business-type activities capital assets, net	<u>\$ 15,315,195</u>	<u>\$ 2,514,625</u>	<u>\$ -</u>	<u>\$ 17,829,820</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 5 – Capital Assets (Continued)

Depreciation and amortization expense were charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$	63,222
Public Safety		127,589
Public Works		189,288
Parks and Community Services		23,856
	\$	<u>403,955</u>

Business-Type Functions:

Sewer	\$	229,928
Water		481,274
	\$	<u>711,202</u>

Note 6 – Long-term Liabilities

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
<u>Governmental Activity Long Term Debt</u>					
Mortgage Note Payable	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
2019 Solar Project Equipment Lease	337,485	-	-	337,485	6,705
2019 Fire Truck Lease	274,586	-	26,338	248,248	27,295
Net other post employment benefits	2,785,783	405,044	-	3,190,827	-
Net pension liability	3,285,152	-	192,295	3,092,857	-
Total Governmental Activity Debt	<u>\$ 6,783,006</u>	<u>\$ 405,044</u>	<u>\$ 318,633</u>	<u>\$ 6,869,417</u>	<u>\$ 34,000</u>
<u>Business-Type Activity Long Term Debt</u>					
Bonds payable:					
2013 Water Revenue Refunding Bond	\$ 1,168,513	\$ -	\$ 82,444	\$ 1,086,069	\$ 82,222
2016 Wastewater Refunding Bond	3,250,000	-	70,000	3,180,000	75,000
2016 Water Refunding Bond	3,650,000	-	80,000	3,570,000	85,000
2019 Water Solar Project Equipment Lease	2,585,271	-	-	2,585,271	51,363
2019 Wastewater Solar Project Equipment Lease	1,607,244	-	-	1,607,244	31,932
Net other post employment benefits	1,203,596	174,999	-	1,378,595	-
Net pension liability	539,349	-	135,799	403,550	-
Total Business-Type Activity Debt	<u>\$ 14,003,973</u>	<u>\$ 174,999</u>	<u>\$ 368,243</u>	<u>\$ 13,810,729</u>	<u>\$ 325,517</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 6 – Long-Term Liabilities (Continued)

Long-term debt payable at June 30, 2020 was comprised of the following individual issues:

Governmental Activity Long Term Debt

Mortgage Note Payable – In November 2018, the City entered into an agreement with a private citizen (seller) to purchase real estate property at 1074 P Street, Firebaugh, California, for a total amount of \$203,866, the City made an initial payment of \$103,866 at the close of escrow and paid the seller the remaining \$100,000 in November 2019.

2019 Solar Project Equipment Lease – In May 2019, The City entered into a capital lease arrangement to finance the acquisition of certain energy efficient equipment and improvements for the City. The lease obligation is accounted for as a capital lease where the related equipment and improvements to be acquired will become property of the City when all terms of the lease agreement are met. The stated interest under terms of the agreement varies between 2.05% and 4.00% with an average rate of 3.6%. Present value of the remaining payments as of June 30, 2020 is \$4,530,000, the City has determined future payments are to be made from the General Fund, Water Enterprise Fund, and Sewer Enterprise Fund in the amounts of \$337,485, \$2,585,271 and \$1,607,244, respectively. Semiannual debt service payments under the agreement start on February 1, 2020 and end on August 1, 2029, ranging from \$72,855 to \$170,379. As of June 30, 2020, the City had accumulated total capital expenditures of \$3,339,998 in Construction In Progress.

2019 Fire Truck Lease – In May 2018, The City entered into a capital lease arrangement to finance the acquisition of a Fire Truck. The lease obligation is accounted for as a capital lease where the related equipment acquired will become property of the City when all terms of the lease agreement are met. The stated interest rate under terms of the agreement is 3.6%, present value of minimum lease payments is \$300,000. Annual debt service payments of \$36,317 start on May 31, 2019 and conclude on May 31, 2028.

Business-Type Activity Long Term Debt

2013 Water Revenue Refunding Bond – In November 2013, the City issued revenue bonds in the amount of \$1,512,415. The funds were used for the purpose of refinancing the 2005 Water Revenue Bond. Principal and interest is payable semi-annually on December 1 and June 1 each year, with an interest rate of 3.85%.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 6 – Long-Term Liabilities (Continued)

2016 Water Refunding Bonds – In 2016 the City issued \$3,945,000 of Water Revenue Refunding Bonds. The proceeds of the issue were used to refinance the 2007 USDA Water Certificate of Participation. Interest on the Bond is payable semi-annually on November 1 and June 1 each year, with stated interest rates ranging from 2.00% to 4.00% per annum for an average coupon rate of 3.38%. Principal is paid annually on June 1. Pursuant to the provisions of the Bond agreement, the City has established a Rate Stabilization Fund and made an initial deposit of \$500,000 in fiscal year 2016-17, \$250,000 was used to cover debt ratio in fiscal year 2017-18, and during fiscal year 2018-19 \$115,000 was used to cover debt ratio, leaving a current ending balance of \$135,000 at June 30, 2020. Debt service is secured by a pledge of net revenues of the City’s Water System. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water system which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all water operation and maintenance costs and all bond installment payments and produce net water revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2020. Cash basis debt service paid during the fiscal year ended June 30, 2020 totaled \$328,826. Total water system net revenues calculated in accordance with the covenants were \$561,975 and net revenue available for debt service was 1.71 times debt service at June 30, 2020.

2016 Wastewater Refunding Bonds – In 2016 the City issued \$3,415,000 of Wastewater Revenue Refunding Bonds. The proceeds of the issue were used for refinance of the 2008 USDA Sewer Loan Payable. Interest on the Bond is payable semi-annually on February 15 and August 15 each year, with stated interest rates ranging from 2.00% to 4.00% per annum for an average coupon rate of 3.38%. Principal is paid annually on August 15. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the sewer system which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all sewer operation and maintenance costs and all bond installment payments and produce net sewer revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2020. Cash basis debt service paid during the fiscal year ended June 30, 2020 totaled \$177,163. Total sewer system net revenues calculated in accordance with the covenants were \$632,135 and net revenue available for debt service was 3.57 times debt service at June 30, 2020.

2019 Water Solar Project Equipment Lease – See 2019 Solar Project Equipment Lease under Governmental Activity Long Term Debt for general terms of the lease agreement. The portion of the total lease liability allocated to the Water Enterprise Fund is \$2,585,271.

2019 Wastewater Solar Project Equipment Lease – See 2019 Solar Project Equipment Lease under Governmental Activity Long Term Debt for general terms of the lease agreement. The portion of the total lease liability allocated to the Wastewater Enterprise Fund is \$1,607,244.

CITY OF FIREBAUGH

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note 6 – Long-Term Liabilities (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2020 are as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 34,000	\$ 19,877	\$ 325,517	\$ 401,002
2022	42,442	18,675	427,731	390,383
2023	43,470	17,356	432,304	378,439
2024	45,280	15,997	441,123	366,320
2025	46,384	14,588	455,579	353,953
2026-2030	180,457	51,535	2,465,734	1,561,517
2031-2035	93,498	30,627	2,430,799	1,139,605
2036-2040	100,202	10,303	2,579,797	684,805
2041-2045	-	-	1,585,000	311,916
2046-2050	-	-	885,000	47,075
	<u>\$ 585,733</u>	<u>\$ 178,958</u>	<u>\$12,028,584</u>	<u>\$ 5,635,016</u>

Note 7 – Interfund Balances

Interfund balances as of June 30, 2020 consist of the following:

All balances reported as “due to/due from” are short-term loans to cover temporary fund cash shortages as of June 30, 2020, and were repaid early in fiscal year 2021.

	Due From	Due To
Major Funds:		
General Fund	\$ 279,550	\$ -
Community Development	-	279,550
	<u>\$ 279,550</u>	<u>\$ 279,550</u>

Balances reported as “advance to/advance from” were for capital project expenditures and have scheduled repayments in future years.

	Advances From	Advances To
Major Funds:		
General Fund	\$ -	\$ 815,007
Enterprise Funds:		
Sewer	735,007	-
Water	80,000	-
	<u>\$ 815,007</u>	<u>\$ 815,007</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 8 – Deficit Fund Balance

Fund Balance Deficits – The Community Development Fund has a deficit fund balance as of June 30, 2020 of \$35,023. The deficit is expected to be relieved from future revenues or transfers from other funds.

Note 9 – Pension Plan

Plan Description – The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Participants are required to contribute eight percent (nine percent for safety employees) of their annual covered salary. The City contributes the employees required share for administrative and public works employees and 5% and 4% of the police and dispatchers required share, respectively. The City is required to contribute at an actuarially determined rate; the current rate is 6.985 – 11.432 percent for non-safety employees and 13.034 – 20.073 percent for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

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

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 9 – Pension Plan (continued)

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
	Prior to	Prior to
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.5% at 55; maximum 2% COLA	3.0% at 55; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	55
Monthly Benefits, as a % of Eligible Compensation	2.50%	3.00%
Required Employee Contribution Rates	8.00%	9.00%
Required Employer Contribution Rates	11.432%	20.073%

	<u>PEPRA</u>	<u>PEPRA Safety</u>
	Miscellaneous	PEPRA Safety
	On or After	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% at 62; maximum 2% COLA	2.7% at 57; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.70%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	6.985%	13.034%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 519,336
Contributions – employee	\$ 173,120

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 9 – Pension Plan (continued)

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,337,483
Safety	<u>2,158,924</u>
Total	<u>\$ 3,496,407</u>

The City's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2019	0.04743%	0.03472%
Proportion - June 30, 2020	<u>0.03340%</u>	<u>0.03458%</u>
Change - Increase/(Decrease)	<u>-0.01403%</u>	<u>-0.00014%</u>

For the year ended June 30, 2020, the City recognized pension expense of \$731,374. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 519,336	\$ -
Change in employer's proportion	44,236	(359,919)
Differences between employer's contributions and proportionate share of contributions	8,991	(30,673)
Differences between expected and actual experience	233,852	(7,197)
Changes of assumptions	152,267	(39,878)
Differences between projected and actual investment earnings	<u>-</u>	<u>(53,083)</u>
Total	<u>\$ 958,682</u>	<u>\$ (490,750)</u>

CITY OF FIREBAUGH

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note 9 – Pension Plan (continued)

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

\$519,336 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	\$ 152,809
2022	(146,551)
2023	(68,166)
2024	<u>10,504</u>
	<u>\$ (51,404)</u>

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 9 – Pension Plan (continued)

All other actuarial assumptions used in the June 30, 2018 valuation was based on the results of an December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – None.

Discount rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 9 – Pension Plan (continued)

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are net of administrative expenses.

Asset Class	¹ New Strategic Allocation	Real Return Years 1-10	² Real Return Years 11+ ³
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Infrastructure and Forestland	0%	0.00%	0.00%
Liquidity	1%	0.00%	-0.92%
Total	100%		

¹In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

²An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 2,281,349	\$ 1,337,483	\$ 558,389
Safety	\$ 3,412,482	\$ 2,158,924	\$ 1,131,201

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020, the City has no reported outstanding amount of contributions payable to the pension plan required for the year ended June 30, 2020.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 10 – Post-Employment Health Care Benefits

Plan Description

The City reported that the only OPEB provided is medical plan coverage.

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires (1) attainment of age 50 (age 52, if a new miscellaneous member to PERS on or after January 1, 2013) with 5 years of State or public agency service or (2) an approved disability retirement.

As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. This City most recently executed resolution with CalPERS defines the level of the City's contribution to be 100% of the retiree's monthly medical premium, but not more than \$347.77 per month.

Employees Covered

Membership in the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

Summary of Plan Member Counts	
Number of active plan members	36
Number of inactive plan members currently receiving benefits	6
Number of inactive plan members entitled but not receiving benefits	0

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City. The City determines the required contributions using the Entry Age Normal Cost Method. The required contribution is based on projected pay-as-you-go financing requirements.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 10 – Post-Employment Health Care Benefits (Continued)

Actuarial Assumptions

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date as of June 30, 2018.

Valuation Date	6/30/2018
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market Value (\$0, plan is not yet funded)
Actuarial Assumptions:	
Discount Rate	2.79% as of June 30, 2019 2.98% as of June 30, 2018
Inflation Rate	2.75%
Salary Increase	3.25%
Health Cost Trend Rates	Medical premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase
2020	7.0%
2021	6.5%
2022	6.0%
2023	5.5%
2024 & later	5.0%

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5 %

Mortality rate	Pre-retirement mortality rates were based on the CalPERS 2014 experience study. Mortality Improvement rates were based on the MacLeod Watts Scale 2017 applied generationally from 2018.
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Long Term Expected Rate of Return

Not applicable, the City has reported no plan assets as of June 30, 2020.

Discount Rate

The rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

CITY OF FIREBAUGH

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note 10 – Post-Employment Health Care Benefits (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 06/30/19	\$ 3,989,379	\$ -	\$ 3,989,379
Changes for the year:			
Service cost	313,522	-	313,522
Interest	127,822	-	127,822
Changes of assumptions	165,842	-	165,842
Contributions - employer	-	27,143	(27,143)
Benefit payments	(27,143)	(27,143)	-
Net changes	<u>580,043</u>	<u>-</u>	<u>580,043</u>
Balance at 06/30/20	<u>\$ 4,569,422</u>	<u>\$ -</u>	<u>\$ 4,569,422</u>

The only assumption change reflected during this period is the change in the discount rates as required by GASB 75.

Sensitivity of the City’s Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (1.98%)	Discount Rate (2.79%)	1% Increase (3.79%)
Net OPEB liability	\$ 5,595,646	\$ 4,569,422	\$ 3,781,827

Sensitivity of the City’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB liability	\$ 3,645,535	\$ 4,569,422	\$ 6,051,125

Healthcare cost trend rate was assumed to start at 8.0% (effective January 1, 2009) and grade down to 5% for years 2025 and thereafter.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 10 – Post-Employment Health Care Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$386,423. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ 275,426	\$ (221,857)
Deferred contributions	38,271	-
	<u>\$ 313,697</u>	<u>\$ (221,857)</u>

The City will recognize the deferred contributions in the next fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30:	
2020	\$ 468
2021	468
2022	468
2023	468
2024	468
Thereafter	<u>51,229</u>
Total	<u>\$ 53,569</u>

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 11 – Deferred Outflows/Inflows of Resources

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

- The City has \$958,682 in pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in Note 9.
- The City has \$313,697 in other post-employment benefit related items that qualify to be reported in deferred outflows of resources. The other post-employment benefit related deferred outflows of resources are described in Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items to report in this category:

- The City has \$490,750 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in Note 9.
- The City has \$221,857 in other post-employment benefit related items that qualify to be reported in deferred inflows of resources. The other post-employment benefit related deferred inflows of resources are described in Note 10.
- Unavailable revenues arise only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The City has \$1,755,293 in notes and loans receivable reported in the Housing Fund as deferred inflows of resources reported for unavailable revenues.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 13 – Risk Management

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

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

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2019 is as follows:

Total assets	\$ 128,442,162
Total liabilities	<u>109,661,346</u>
Net position	<u>\$ 18,780,816</u>
Total revenues	\$ 53,005,963
Total expenses	<u>52,250,549</u>
Increase/(decrease) in net position	<u>\$ 755,414</u>

Note 14 – Stewardship, Compliance and Accountability

Excess of expenditures over appropriations – The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2020:

General Fund:	
Current	
General government	\$ (67,239)
Public ways and facilities	\$ (125,242)
Public protection	\$ (62,654)
Community development	\$ (288,902)
Capital outlay	\$ (175,243)
Debt Service	
Principal	\$ (126,338)
Interest	\$ (21,769)

The excess expenditures were covered by excess revenues during the fiscal year.

CITY OF FIREBAUGH

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 15 – Contingencies

Federal and State Government Programs – The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the Uniform Guidance and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Note 16 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through February 9, 2021 the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FIREBAUGH

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 2,491,295	\$ 2,491,295	\$ 3,044,093	\$ 552,798
Licenses and permits	155,180	155,180	461,790	306,610
Intergovernmental	67,800	67,800	172,766	104,966
Charges for services	633,735	633,735	611,727	(22,008)
Fines and forfeitures	26,500	26,500	21,444	(5,056)
Investment income	43,180	43,180	29,413	(13,767)
Other	179,550	179,550	268,313	88,763
Total revenue	<u>3,597,240</u>	<u>3,597,240</u>	<u>4,609,546</u>	<u>1,012,306</u>
Expenditures				
Current				
General government	238,143	238,143	305,382	(67,239)
Public ways and facilities	455,839	455,839	581,081	(125,242)
Public protection	2,117,711	2,117,711	2,180,365	(62,654)
Culture and recreation	296,346	296,346	291,211	5,135
Community development	210,581	210,581	499,483	(288,902)
Capital outlay	203,517	203,517	378,760	(175,243)
Debt Service				
Principal	-	-	126,338	(126,338)
Interest	-	-	21,769	(21,769)
Total expenditures	<u>3,522,137</u>	<u>3,522,137</u>	<u>4,384,389</u>	<u>(862,252)</u>
Revenue over (under) expenditures	75,103	75,103	225,157	150,054
Other Financing Sources/(Uses)				
Sales of assets	600	600	6,050	5,450
Total other financing sources/(uses)	<u>600</u>	<u>600</u>	<u>(122,328)</u>	<u>(122,928)</u>
Net Change in Fund Balance	<u>\$ 75,703</u>	<u>\$ 75,703</u>	102,829	<u>\$ 27,126</u>
Fund Balance				
Beginning of year			<u>5,186,391</u>	
End of year			<u>\$ 5,289,220</u>	

CITY OF FIREBAUGH

BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT FUND YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 5,094,705	\$ 5,094,705	\$ 365,626	\$ (4,729,079)
Total revenue	<u>5,094,705</u>	<u>5,094,705</u>	<u>365,626</u>	<u>(4,729,079)</u>
Expenditures				
Current				
Community development	2,262,984	2,262,984	205,366	2,057,618
Capital outlay	<u>305,203</u>	<u>305,203</u>	<u>305,203</u>	<u>-</u>
Total expenditures	<u>2,568,187</u>	<u>2,568,187</u>	<u>510,569</u>	<u>2,057,618</u>
Revenue over (under) expenditures	<u>2,526,518</u>	<u>2,526,518</u>	(144,943)	<u>(2,671,461)</u>
Net Change in Fund Balance	<u>\$ 2,526,518</u>	<u>\$ 2,526,518</u>	(16,565)	<u>\$ (2,543,083)</u>
Fund Balance				
Beginning of year			<u>(18,458)</u>	
End of year			<u>\$ (35,023)</u>	

CITY OF FIREBAUGH

SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY AND RELATED RATIOS LAST 10 YEARS* AS OF JUNE 30, 2020

Fiscal Year Ending	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Measurement Date</i>	6/30/2019	6/30/2018	6/30/2017
<i>Discount Rate on Measurement Date</i>	2.79%	2.98%	3.13%
Total OPEB liability			
Service cost	\$ 313,522	\$ 286,261	\$ 314,831
Interest	127,822	1,116,721	98,956
Changes of assumptions	165,842	159,327	(320,608)
Benefit payments	<u>(27,143)</u>	<u>(31,579)</u>	<u>(24,191)</u>
Net change in total OPEB liability	580,043	1,530,730	68,988
Total OPEB liability - beginning	<u>3,989,379</u>	<u>3,458,649</u>	<u>3,389,661</u>
Total OPEB liability - ending	<u>\$ 4,569,422</u>	<u>\$ 4,989,379</u>	<u>\$ 3,458,649</u>
<i>Covered-employee payroll</i>	\$ 2,056,534	\$ 2,004,877	\$ 1,976,550
<i>Net OPEB liability as a % of covered payroll</i>	222%	249%	175%

Notes to Schedule:

Changes of assumptions : Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. Discount rates used in each period are illustrated above.

* GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Only results for years since GASB 75 was implemented are shown in the table.

CITY OF FIREBAUGH

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST 10 YEARS* AS OF JUNE 30, 2020

	Miscellaneous					
	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.04155%	0.04681%	0.04584%	0.04647%	0.04743%	0.03340%
Proportionate share of the net pension liability	\$ 1,026,968	\$ 1,284,149	\$ 1,592,387	\$ 1,831,727	\$ 1,787,565	\$ 1,337,483
Covered - employee payroll	\$ 1,142,658	\$ 1,185,040	\$ 1,135,047	\$ 1,085,707	\$ 1,112,066	\$ 1,182,459
Proportionate share of the net pension liability as a percentage of covered-employee payroll	89.88%	108.36%	140.29%	168.71%	160.74%	113.11%
Plan's fiduciary net position	\$ 4,258,380	\$ 4,422,483	\$ 4,509,211	\$ 4,859,986	\$ 5,465,496	\$ 5,679,947
Plan's fiduciary net position as a percentage of the Total Pension Liability	80.57%	77.50%	73.90%	72.63%	75.35%	80.94%
	Safety					
	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.04123%	0.03571%	0.03579%	0.03484%	0.03472%	0.03458%
Proportionate share of the net pension liability	\$ 1,546,431	\$ 1,471,316	\$ 1,853,650	\$ 2,081,461	\$ 2,036,936	\$ 2,158,924
Covered - employee payroll	\$ 799,827	\$ 692,501	\$ 692,040	\$ 683,756	\$ 726,367	\$ 740,988
Proportionate share of the net pension liability as a percentage of covered-employee payroll	193.35%	212.46%	267.85%	304.42%	280.43%	291.36%
Plan's fiduciary net position	\$ 5,122,434	\$ 5,447,021	\$ 5,543,143	\$ 6,046,601	\$ 6,665,456	\$ 6,988,249
Plan's fiduciary net position as a percentage of the Total Pension Liability	76.81%	78.73%	74.94%	74.39%	76.59%	76.40%

*Fiscal year 2014-15 was the first year of implementation, therefore only six years are shown.

Changes of Assumptions: None.

CITY OF FIREBAUGH

SCHEDULE OF CONTRIBUTIONS

LAST 10 YEARS*

AS OF JUNE 30, 2020

	Miscellaneous					
	2015	2016	2017	2018	2019	2020
Contractually required contribution (actuarially determined)	\$ 115,154	\$ 200,112	\$ 178,195	\$ 194,343	\$ 195,432	\$ 224,323
Contributions in relation to the actuarially determined contributions	(115,154)	(200,112)	(178,195)	(194,343)	(195,432)	(224,323)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,142,658	\$ 1,185,040	\$ 1,135,047	\$ 1,085,707	\$ 1,112,066	\$ 1,182,459
Contributions as a percentage of covered-employee payroll	10.85%	10.85%	15.70%	17.90%	17.57%	18.97%

	Safety					
	2015	2016	2017	2018	2019	2020
Contractually required contribution (actuarially determined)	\$ 145,022	\$ 234,881	\$ 224,508	\$ 240,914	\$ 260,485	\$ 297,385
Contributions in relation to the actuarially determined contributions	(145,022)	(234,881)	(224,508)	(240,914)	(260,485)	(297,385)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 799,827	\$ 692,501	\$ 692,040	\$ 683,756	\$ 726,367	\$ 740,988
Contributions as a percentage of covered-employee payroll	18.13%	33.92%	32.44%	35.23%	35.86%	40.13%

*Fiscal year 2014-15 was the first year of implementation, therefore only six years are shown.

SUPPLEMENTAL ONLY INFORMATION

CITY OF FIREBAUGH

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS JUNE 30, 2020

	Gas Tax	Local Transportation	Development Impact Fees	Measure C Funds	Landscape Maintenance	Public Safety	SB1	Total
ASSETS								
Cash and investments	\$ 151,671	\$ 448,637	\$ 385,220	\$ 751,311	\$ 11,806	\$ 198,422	\$ 92,929	\$ 2,039,996
Accounts receivable	-	92,351	-	13,701	-	1,429	21,508	128,989
Total assets	151,671	540,988	385,220	765,012	11,806	199,851	114,437	2,168,985
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable and accrued expense	8,103	1,545	-	330	4,528	3,477	13	17,996
Accrued expenses	1,926	6,937	-	9,247	1,696	7,549	-	27,355
Total liabilities	10,029	8,482	-	9,577	6,224	11,026	13	45,351
Fund Balance								
Restricted								
Public ways and facilities	141,642	532,506	-	755,435	5,582	-	114,424	1,549,589
Public safety programs	-	-	-	-	-	188,825	-	188,825
Capital projects and improvements	-	-	385,220	-	-	-	-	385,220
Total fund balance	141,642	532,506	385,220	755,435	5,582	188,825	114,424	2,123,634
Total liabilities and fund balance	\$ 151,671	\$ 540,988	\$ 385,220	\$ 765,012	\$ 11,806	\$ 199,851	\$ 114,437	\$ 2,168,985

CITY OF FIREBAUGH

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2020

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Development Impact Fees</u>	<u>Measure C Funds</u>	<u>Landscape Maintenance</u>	<u>Public Safety</u>	<u>SB1</u>	<u>Total</u>
Revenue								
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 35,716	\$ -	\$ -	\$ 35,716
Licenses and permits	-	-	52,224	-	-	-	-	52,224
Intergovernmental	177,376	350,093	-	274,019	-	212,962	160,262	1,174,712
Investment income	1,462	3,110	-	3,124	540	1,279	-	9,515
Other revenue	-	-	-	-	-	38	-	38
Total revenue	<u>178,838</u>	<u>353,203</u>	<u>52,224</u>	<u>277,143</u>	<u>36,256</u>	<u>214,279</u>	<u>160,262</u>	<u>1,272,205</u>
Expenditures								
Current								
Public ways and facilities	118,230	163,278	-	194,127	47,069	-	96,575	619,279
Public safety	-	-	-	-	-	123,908	-	123,908
Culture and recreation	-	-	4,155	-	-	-	-	4,155
Capital outlay	-	-	-	-	38,320	39,587	-	77,907
Total expenditures	<u>118,230</u>	<u>163,278</u>	<u>4,155</u>	<u>194,127</u>	<u>85,389</u>	<u>163,495</u>	<u>96,575</u>	<u>825,249</u>
Revenue over (under) expenditures	60,608	189,925	48,069	83,016	(49,133)	50,784	63,687	446,956
Change in Fund Balance	60,608	189,925	48,069	83,016	(49,133)	50,784	63,687	446,956
Fund Balance								
Beginning of year	81,034	342,581	337,151	672,419	54,715	138,041	50,737	1,676,678
End of year	<u>\$ 141,642</u>	<u>\$ 532,506</u>	<u>\$ 385,220</u>	<u>\$ 755,435</u>	<u>\$ 5,582</u>	<u>\$ 188,825</u>	<u>\$ 114,424</u>	<u>\$ 2,123,634</u>

CITY OF FIREBAUGH

SCHEDULE OF NET REVENUE AVAILABLE FOR DEBT SERVICE JUNE 30, 2020

	Business-Type Activities - Enterprise Funds	
	Sewer	Water
Operating Revenue		
Charges for services	\$ 1,504,102	\$ 1,686,493
Delinquent fees	-	33,141
Waste Discharge fees	16,676	-
Toma Tek Service and Reimbursement Revenue	44,994	-
Other revenue	871	19,795
Total Available Revenues	1,566,643	1,739,429
Operating Expense		
Personnel	585,207	575,079
Utilities	124,259	342,137
Supplies and materials	29,555	61,276
Maintenance and operations	41,232	122,042
Contractual services	110,085	75,575
Other expenses	77,374	48,155
Total operations and maintenance	967,712	1,224,264
Nonoperating Revenue/(Expense)		
Investment income	33,204	46,810
Total nonoperating revenue/(expense)	33,204	46,810
Total Net Revenue Available for Debt Service	632,135	561,975
Debt Service Requirements		
2013 Water Revenue Refunding Bond	-	126,638
2016 Water Refunding Bond - Series 2016A	-	202,188
2016 Wastewater Refunding Bond - Series 2016A	177,163	-
Total Debt Service	177,163	328,826
Net Revenue after Debt Service	\$ 454,972	\$ 233,149
Debt Service Coverage Ratio	3.57	1.71
Rate Stabilization Fund:		
Beginning balance at July 1, 2019	\$ -	\$ 135,000
Transfer to Water Enterprise Fund	-	-
Ending balance at June 30, 2020	\$ -	\$ 135,000

BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto
John P. Burt

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 Honorable Mayor and City Council
City of Firebaugh, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Firebaugh, California, (the “City”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated February 9, 2021.

Internal Control Over Financial Reporting

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

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

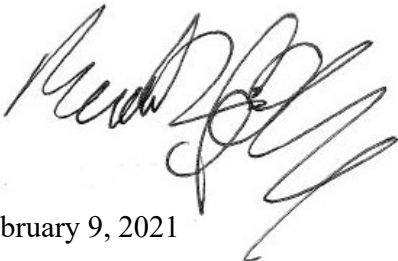
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

February 9, 2021