

CITY OF ESCALON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

CITY OF ESCALON, CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

To The City Council
City of Escalon
State of California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escalon, State of California, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escalon, State of California as of June 30, 2020, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10, the City of Escalon's Schedule of Proportionate Share of Net Pension Liability on pages 62 and 63, the City of Escalon's Schedule of Contributions on pages 64 and 65 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escalon, State of California's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Clendenin Bird & Company, PC
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 4, 2020

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

This discussion and analysis of the City of Escalon's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. This report has been prepared following Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at the close of the 2019-20 fiscal year by \$60.0 million (*Net Position*). Of this amount, \$9.4 million (*Unrestricted Net Position*) is designated to be used to meet ongoing obligations to citizens and creditors; \$8.1 million is restricted for capital projects, debt service, and legally segregated taxes and fees; and \$44.1 million is invested in capital assets.
- As of June 30, 2020, the governmental funds reported a combined Net Position of \$36.2 million, of which \$6.4 million is available to meet the City's current and future needs (*Restricted, Committed, Assigned, and Unassigned balances*).
- As of June 30, 2020, the General Fund's fund balance was \$4.6 million of which \$.41 million is designated as Non-Spendable for items such as deposits, prepaid assets, loans, and inter-fund advances. Assigned/Committed fund balance was \$3.3 million, set for operating reserves, debt service, equipment replacement, and Cal PERS reserve, and the unassigned balance is \$.88 million.
- Governmental capital assets decreased by \$.60 million compared to prior year assets representing a depreciation of current assets more significant than capital street improvements, equipment, and construction in progress. The decrease is reflected in the net investment in capital assets.
- The City's total long-term liabilities decreased by \$ 90,409 compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of the following sections:

1. Independent Auditor's report.
2. Management's Discussion and Analysis
3. The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
4. Required Supplemental Information,
5. Combining statements for Non-major Governmental Funds and Internal Service Funds,
6. Report on Internal Control Over Financial Reporting and Compliance with Laws And Regulations.

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two views of the City's financial activities and financial position.

Government-wide Financial Statements.

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole and are presented in a manner similar to a private-sector business. These statements are comprised of:

Statement of Net Positions - Presents information on all City assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

Statement of Activities - Presents information reflecting any change in the government's net position during the most recent fiscal year. All net position changes are reported as soon as the underlying event giving rise to the change occurs (regardless of the timing of related cash flows). Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and compensated time leave).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities – All of the City's basic services are considered governmental activities, including general government, community development, library, public safety, public works, parks and recreation, and streets. These services are supported by general city revenues such as taxes and specific program revenues such as developer fees.
- Business-type activities – All of the City's enterprise activities are reported here, including sewer, water, storm, and transit. Unlike governmental services, these services are supported by users' charges based on the amount of the service they use.

Fund Financial Statements.

The Fund Financial Statements report the City's operations in more detail than the Government-wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts. Enterprise Fund Financial Statements are prepared on the full accrual basis, including all their assets and liabilities, current and long-term. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules give the detail of these Non-major funds. Major Funds show the major

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

activities of the City for the year and may change from year to year as a result of changes in the pattern of the City's activities.

A "fund" is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities and objectives. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, fiduciary funds.

- *Governmental Funds* – These funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources and are therefore prepared on the modified accrual basis. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.
- *Proprietary Funds* – The City maintains two different types of proprietary funds; Enterprise Funds. Enterprise Funds are used to report the same functions presented as "business-type activities" in the Government-wide Financial Statements. Financial statements for proprietary funds are prepared on the full accrual basis and include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* – These funds are used to account for resources held to benefit parties outside the government. Fiduciary Funds are not reflected in the Government-wide Financial Statements because those funds' resources are not available to support the City's programs. The City of Escalon has no current Fiduciary Funds.

Notes to the Financial Statements

The Notes provide additional information essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's financial activities.

Combining Statements

This section of the report includes additional detailed information about non-major governmental, internal service, and agency funds.

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position - As noted earlier, net position may serve over time as a useful indicator of the City's financial status. In the case of the City, combined net position (government and business-type activities) totaled \$60.0 million at the close of the Fiscal Year Ended June 30, 2020. This is an increase of \$600,650 from June 30, 2019.

The following table reflects the Summary of Net Position for the Fiscal Year Ended June 30, 2020, with comparative data for the Fiscal Year Ended June 30, 2019.

**City of Escalon
Net Position as of June 30, 2020
(In Millions)**

| Net Position | Governmental | | Business-type | | Total | | Total |
|--|--------------|-------------|---------------|-------------|-------------|-------------|--------------|
| | Activities | | Activities | | | | % Chg. |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2020 |
| Cash and Investments | 9.5 | 10.6 | 10.2 | 10.9 | 19.7 | 21.5 | 9.3% |
| Other Assets | 1.0 | 1.0 | 0.88 | 0.68 | 1.9 | 1.7 | -8.0% |
| Capital Assets | 33.2 | 32.7 | 17.7 | 18.1 | 50.9 | 50.7 | -0.4% |
| TOTAL ASSETS | 43.7 | 44.3 | 28.8 | 29.7 | 72.5 | 74.0 | -8.4% |
| Deferred Outflows Related to Pensions | 1.20 | 0.73 | 0.36 | 0.18 | 1.56 | 0.92 | -41.4% |
| Long-term Liabilities outstanding | 7.3 | 7.5 | 5.5 | 5.1 | 12.8 | 12.6 | -1.4% |
| Other Liabilities | 0.6 | 0.7 | 0.54 | 0.76 | 1.1 | 1.5 | 29.7% |
| TOTAL LIABILITIES | 7.9 | 8.2 | 6.0 | 5.9 | 13.9 | 14.0 | 28.3% |
| Deferral Of Pension Expense | 0.57 | 0.57 | 0.18 | 0.18 | 0.7 | 0.7 | 0.0% |
| Net Position: | | | | | | | |
| Invested in capital assets, net of Related debt | 30.2 | 29.8 | 13.8 | 14.3 | 44.0 | 44.1 | 0.3% |
| Restricted | 5.7 | 6.5 | 0.0 | 0.0 | 5.7 | 6.5 | 14.2% |
| Unrestricted | 0.6 | 0.0 | 9.2 | 9.4 | 9.8 | 9.4 | -4.7% |
| TOTAL NET ASSETS | 36.5 | 36.2 | 23.0 | 23.8 | 59.5 | 60.0 | 9.85% |

Some columns may not total due to rounding

The City's Government-wide Net Position as of June 30, 2020, comprised the following:

- Cash and investments comprised of \$21.5 million in the city treasury
- Government-Wide receivables were comprised of \$1.3 million of current receivables and \$382,959 of long-term receivables. Long-term receivables are related to property loan and inter-fund loans.
- Net capital assets of \$50.7 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$6.5 million, Restricted Net Assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.
- Unrestricted Net Position totals \$9.4 million and is designated to be used to finance day to day operations without constraints established by debt covenants or other legal

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

requirements or restrictions. While these assets are technically unrestricted, most of these assets are committed or assigned for a specific use.

The Change in Net Position, as expressed, as the change in revenues and expenditures through June 30, 2020, is further reflected in the Statement of Activities.

**City of Escalon
Statement of Activities
Fiscal year ended June 30, 2020
(In Millions)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenues | | | | | | |
| <i>Program Revenues</i> | | | | | - | - |
| Charges for services | \$ 1.10 | \$ 1.05 | \$ 4.92 | \$ 4.96 | 6.03 | 6.01 |
| Operating grants and contributions | 0.16 | 0.20 | 0.16 | 0.05 | 0.32 | 0.25 |
| Capital Grants and Contributions | 0.63 | 0.73 | 0.14 | - | 0.77 | 0.73 |
| Total program revenues | 1.89 | 1.97 | 5.23 | 5.01 | 7.12 | 6.98 |
| <i>General Revenues</i> | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 1.80 | 1.86 | | | 1.80 | 1.86 |
| Sales taxes | 1.17 | 1.07 | | | 1.17 | 1.07 |
| Other taxes | 0.58 | 0.64 | | | 0.58 | 0.64 |
| Interest Income | 0.37 | 0.38 | 0.31 | 0.34 | 0.68 | 0.72 |
| Other Revenue | - | - | - | - | - | - |
| Total General Revenues | 3.92 | 3.94 | 0.31 | 0.34 | 4.23 | 4.29 |
| Total Revenue | 5.81 | 5.92 | 5.54 | 5.35 | 11.35 | 11.27 |
| Expenses | | | | | | |
| General government | 0.29 | 0.33 | | | 0.29 | 0.33 |
| Public Safety | 2.65 | 3.03 | | | 2.65 | 3.03 |
| Public Works | 1.07 | 1.18 | | | 1.07 | 1.18 |
| Community Development | 0.57 | 0.74 | | | 0.57 | 0.74 |
| Culture and Leisure | 0.73 | 0.72 | | | 0.73 | 0.72 |
| Interest & Fiscal Charges | 0.14 | 0.13 | | | 0.14 | 0.13 |
| Water | | | 1.11 | 1.24 | 1.11 | 1.24 |
| Sewer | | | 2.37 | 2.87 | 2.37 | 2.87 |
| Storm | | | 0.25 | 0.27 | 0.25 | 0.27 |
| Transit | | | 0.14 | 0.17 | 0.14 | 0.17 |
| Total Expenses | 5.44 | 6.12 | 3.87 | 4.55 | 9.32 | 10.67 |
| Changes in net position before transfers | 0.37 | (0.20) | 1.67 | 0.80 | 2.03 | 0.60 |
| Transfers | | | - | - | - | - |
| Change in net position | 0.37 | (0.20) | 1.67 | 0.80 | 2.03 | 0.60 |
| Net Position-Beginning | 36.06 | 36.43 | 21.31 | 22.98 | 57.37 | 59.41 |
| Prior Period Adjustment | | - | | - | - | - |
| Net Position, End of Year | \$ 36.43 | \$ 36.23 | \$ 22.98 | \$ 23.78 | \$ 59.40 | \$ 60.01 |

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Revenues

Revenues for the City totaled \$11.27 million for the year ending June 30, 2020. Total governmental program revenues had an increase of \$0.08 million or 4% from the previous year. The increase is due to an increase in grants and governmental contributions. Total business-type activities revenues experienced a decrease in revenues by \$0.22 million or 4%. The decrease is primarily attributable to reductions in grant funding.

Expenses

Expenses for the City totaled \$10.67 million for the year ending June 30, 2020. Governmental activities incurred \$6.12 million of expenses while business-type activities incurred \$4.55 million. Of the Governmental Activities, the largest expenditures were in Public Safety (\$3.0 million) and Public Works (\$ 1.2 million).

Governmental Activities

The net cost of each of the City's largest programs associated with Governmental Activities is tabled below. These programs include general government, public safety, public works, community development, culture and leisure, and interest and fiscal charges. Net cost is defined as total program cost less the revenues generated by those specific activities. For most governmental programs, expenses have been greater than the revenue generated to support them.

| Cost of Services by Program - Governmental Activities | | | |
|--|------------------------------|--|------------------|
| Fiscal Year Ended June 30, 20 | | | |
| (in millions of dollars) | | | |
| Program | Net Revenue/(Expense) | | |
| | From Services | | |
| | 2019 | | 2020 |
| General Government | \$ (0.11) | | \$ (0.12) |
| Public Safety | (2.36) | | (2.71) |
| Public Works | (0.37) | | (0.38) |
| Community Development | (0.25) | | (0.42) |
| Culture and Leisure | (0.32) | | (0.38) |
| Interest and Fiscal Charges | (0.14) | | (0.13) |
| Total Net Revenue/(Expense) | \$ (3.55) | | \$ (4.14) |

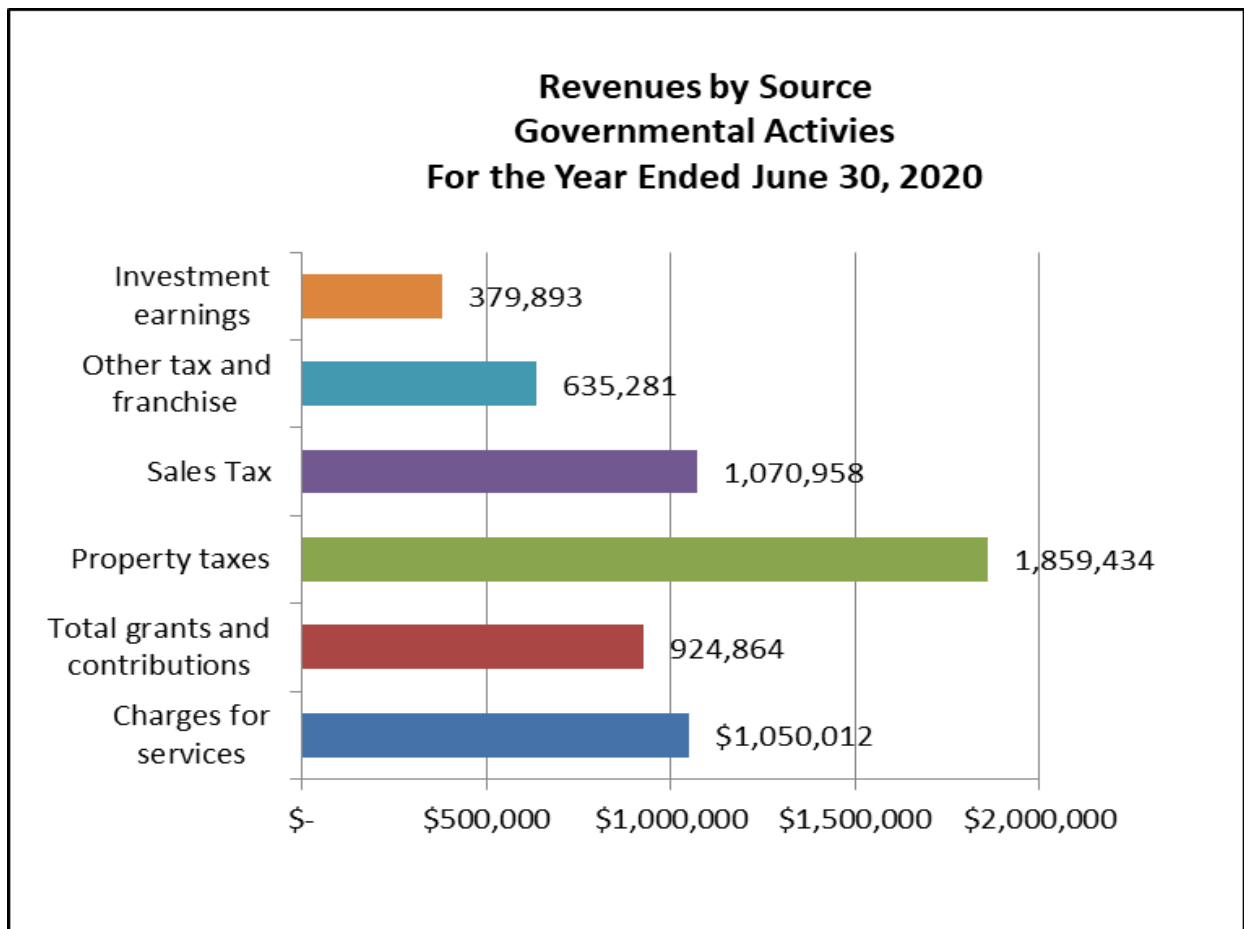
Net revenues/(expenses) for general activities increased by \$.59 million. This increase is primarily attributable to an increase in public safety expenditures.

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Total governmental revenues for the year were \$5.9 million. The table below identifies the revenue sources.

| City of Escalon | | |
|---|---------------------|-------------------|
| Revenues by Source | | |
| Governmental Activities | | |
| For the Year Ended June 30, 2020 | | |
| Revenues Source | Revenue | % of Total |
| Charges for services | \$ 1,050,012 | 17.74% |
| Total grants and contributions | 924,864 | 15.62% |
| Property taxes | 1,859,434 | 31.41% |
| Sales Tax | 1,070,958 | 18.09% |
| Other tax and franchise | 635,281 | 10.73% |
| Investment earnings | 379,893 | 6.42% |
| Total | \$ 5,920,442 | 100.00% |

The majority of revenues are from sales tax and property tax revenue for total revenue of \$2,930,392 or 49.50% of the total revenues.

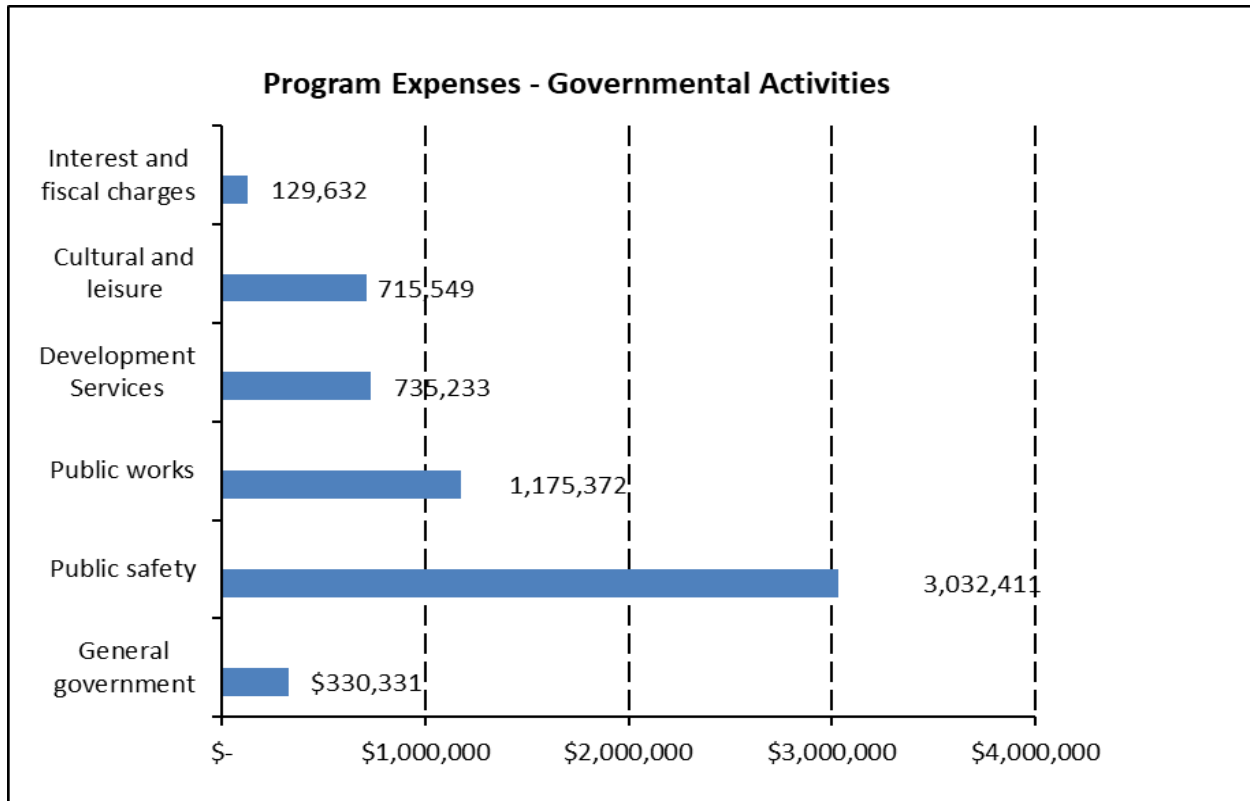


**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Total governmental activity expenses for the year were \$6.12 million. The table below identifies each of the functions with the expenditures.

| City of Escalon | | |
|----------------------------------|---------------------|----------------|
| Program Expenses | | |
| Governmental Activities | | |
| For the Year Ended June 30, 2020 | | |
| Functions/Programs | Expenses | % of Total |
| General government | \$ 330,331 | 5.40% |
| Public safety | 3,032,411 | 49.56% |
| Public works | 1,175,372 | 19.21% |
| Development Services | 735,233 | 12.02% |
| Cultural and leisure | 715,549 | 11.69% |
| Interest and fiscal charges | 129,632 | 2.12% |
| Total | \$ 6,118,528 | 100.00% |

Public Safety accounts for \$3.0 million or 49.56% of the total governmental activities expenses. Expenses by function or program for governmental activities are shown in the graph below.



**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Business-type Activities

Revenues of the City's business-type activities exceeded expenditures by \$0.46 million. Business-type activities ended the year with a Net Position of \$23.78 million, increasing by 3%.

| Changes in Business-Type Activities by Program | | |
|--|----------------|----------------|
| Fiscal Year Ended June 30, 2020 | | |
| (in millions of dollars) | | |
| Net Revenue (Expense from Business-type Activities) | 2019 | 2020 |
| Water Services | \$ 0.56 | \$ 0.61 |
| Sewer -Industrial Services | 0.23 | (0.31) |
| Sewer -Domestic Services | 0.45 | 0.34 |
| Total Sewer | 0.67 | 0.03 |
| Storm Drain Services | (0.05) | (0.07) |
| Transit Services | 0.17 | (0.11) |
| Total Business-type Activities | \$ 1.35 | \$ 0.46 |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental Funds focus is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City's financing requirements. The classification of spendable fund balances to committed, assigned, and unassigned is intended to help measure the resources available for spending at the end of the fiscal year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2020, the City's governmental funds reported combined fund balances of \$11.13 million, an increase of \$ 1.05 million or 10.0% compared with the prior year. The increase is over several funds. The largest is within the Measure K funds of \$.25 million. The General Fund accounted for \$5.0 million of the fund balance and experienced an increase of \$229,039 or 5.0%. Governmental expenditures were \$4.9 million this year. Of this total, \$3.8 million were in the General Fund, \$ 0.33 million were in major funds, and \$ 0.75 million were in non-major funds.

General Fund

General Fund revenues decreased by \$10,431 or less than 1% compared to fiscal year-end 2019. Sales tax decreased by 8.5%, and Property taxes increased by 3.0%. General Fund expenditures increased by \$.24 million or (6.9 %) over prior year expenditures of \$3.6 million. The increase in expenses was primarily in Public Safety, with the highest increases in personnel services and vehicle repairs.

On June 30, 2020, the General Fund balance comprised \$ 0.41 million in non-spendable balances, \$3.32 million of assigned balances, and \$.88 million in unassigned balances. Fund balances have been classified following GASB 54. While amounts have been categorized as unassigned, they may be informally earmarked by the City council for specific purposes.

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-Wide Financial Statements but in more detail. The City's Proprietary Funds are comprised of the Water Fund, the Sewer Fund, the Storm Drain Fund, and the Transit Fund. Proprietary Fund's net position totaled \$23.78 million on June 30, 2020. Proprietary operating revenues were \$4.69 million, and operating expenses were \$4.4 million in the fiscal year 2020.

Water Fund

The net position of the Water Fund is \$13.16 million. Approximately \$4.4 million of the Fund's net position was unrestricted at the fiscal year-end with net investment in capital assets of \$8.7 million.

The year's activities were \$1.6 million in operating revenues and \$ 1.2 million in operating expenses. Charges for services showed an increase of 15.0%, resulting from the schedule of rates adopted in 2019. Operating expenses increased by 12.8% from the fiscal year 2019, with the largest increases in pension expense and supplies for service repairs.

Sewer

The net position of the Sewer Fund is \$7.8 million for the current year. Operating revenues for the fiscal year 2020 were \$2.8 million, a decrease of \$0.14 million from the fiscal year 2019. The decline is a result of changes in industrial users discharges. Operating expenditures had an increase from the fiscal year 2019 of 19%. For the fiscal year, 2020 expenses include the cost for both the 2018 and 2019 sludge removals and the Wastewater Treatment Plant study, resulting in a large increase in expenditures. A total of \$3.2 million of the fund's net position is invested in capital assets, with \$ 4.6 million unrestricted.

Storm Drain

The net position of the Storm Drain Fund is \$2.5 million for the current year. Operating revenues for the fiscal year 2020 were \$.18 million. Operating expenditures had a slight increase from the fiscal year 2019. A total of \$2.2 million of the fund's net position is invested in capital assets, with \$.34 million unrestricted.

Transit Fund

The net position of the Transit Fund is \$.25 million for the current year. The year's activities were \$62,271 in operating revenues for the current year and \$167,308 in operating expenses. A total of \$ 0.14 million of the fund's net position is vested in capital assets, with \$0.11 million unrestricted.

General Fund Budgetary Highlights.

The General Fund's final amended budget totaled \$4.1 million in revenues and \$4.5 million in expenditures. At the end of the year, the total actual revenues of \$4.1 million matching the final

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

amended budget. The actual total expenses of \$3.8 million are \$710,791 under the final budgeted expenditures. All departments' expenses came in less than budgeted.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets As of June 30, 2020, the City had 50.7 million, net of depreciation, invested in a broad range of capital assets, including land, construction in progress, building, equipment, and infrastructure. The City's Governmental Funds had \$32.7 million, and the Business-type activities had \$18.1 million invested in capital assets.

**Capital Assets
As of June 30, 2020
(In millions)**

| | Governmental | | Business-type | | Total | | Total |
|-----------------------------------|--------------|-------|---------------|------|-------|-------|---------|
| | Activities | | Activities | | | | % Chg |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2020 |
| Land | 9.9 | 9.9 | 4.8 | 4.8 | 14.7 | 14.7 | 0.00% |
| Infrastructure | 22.2 | 23.6 | 16.8 | 19.3 | 39.0 | 43.0 | 10.22% |
| Construction in Progress | 1.2 | 0.03 | 1.91 | 0.19 | 3.1 | 0.2 | -92.90% |
| Buildings and Improvements | 12.9 | 13.2 | 1.4 | 1.4 | 14.2 | 14.6 | 2.89% |
| Equipment | 2.5 | 2.5 | 2.2 | 2.2 | 4.6 | 4.7 | 1.22% |
| Accumulated Depreciation | -15.4 | -16.6 | -9.3 | -9.8 | -24.7 | -26.5 | 7.11% |
| TOTAL CAPITAL ASSETS | 33.2 | 32.6 | 17.7 | 18.1 | 50.9 | 50.7 | -0.35% |

Major capital asset changes during the fiscal year 2020 include:

- *Computer Server Replacement*
- *Overflow Parking Hogan-Ennis Park*
- *Community Center Parking lot re-pavement*
- *Completion of Escalon Avenue overlay project with sidewalk improvements*
- *Completion of Jordonolo Reconstruct and water service realignment*
- *Rectangular Rapid Flashing Beacons for 3 crosswalks*
- *Slurry Seal of Various Streets (coordinated with San Joaquin County)*
- *Multiple new Aquajet Aerators for the wastewater treatment plant*
- *Completion of McHenry Lift Station*

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Long-term Debt

Each of the City's debt is discussed in Note III G in the Notes to the Basic Financial Statements. At year-end, the City's governmental activities had \$2,888,542 in long-term debt and \$195,254 in compensated absences. At year-end, business-type funds had \$3,728,292 in outstanding long-term debt and \$53,538 in compensated absences.

**Long-Term Debt
June 30, 2020
(In millions)**

| | Governmental | | Business-type | | Total | | Total |
|-----------------------|--------------|-------------|---------------|-------------|--------------|--------------|---------------|
| | Activities | | Activities | | | | % Chg |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2020 |
| Refunding Lease | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Notes Payable | 2.98 | 2.89 | 0.31 | 0.18 | 3.29 | 3.07 | -6.82% |
| Net Pension Liability | 4.34 | 4.60 | 1.18 | 1.27 | 5.52 | 5.87 | 6.37% |
| Revenue Bonds | 0.00 | 0.00 | 3.76 | 3.55 | 3.76 | 3.55 | -5.59% |
| Compensated Absences | 0.19 | 0.20 | 0.04 | 0.05 | 0.24 | 0.25 | 5.13% |
| TOTAL | 7.51 | 7.68 | 5.29 | 5.06 | 12.81 | 12.74 | -0.55% |

Some columns may not total due to rounding

The City's long-term liabilities, except compensated absences and pension liability, relate to the acquisition and construction/remodel of capital assets. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Inter-fund Loans: To meet expenses relating to a fund's general activities, a City may enter into an inter-fund loan agreement supplying financial assistance. Below is a listing of outstanding inter-fund loans, including the initial date, maturity date, interest, and payments with the current outstanding balance.

General Fund inter-fund loan to Library Development Fund

This loan is a result of payments made on the library building's financing payments between 2006 and 2011. In Fiscal Year-2018, the Library roof had a significant rehabilitation funded through the General Fund for \$49,479. As developer fees are contributed to the Library Developer Fund, repayments are made to General Fund.

| General Fund Loan to Library DIF Fund | | | | |
|--|-------------|-----------------|---------------------------------|----------------|
| Initial Date: July 2011 | | | Maturity Date: July 2026 | |
| Date | Loan | Interest | Payment | Balance |
| 07/01/2011 | \$ 175,428 | | | \$ 175,428 |
| 06/30/2013 | | | \$ (1,645) | \$ 173,783 |
| 06/30/2014 | | | \$ (11,569) | \$ 162,213 |
| 06/30/2015 | | | | \$ 162,213 |
| 06/30/2016 | | | | \$ 162,213 |
| 06/30/2017 | | | | \$ 162,213 |
| 06/30/2018 | | | | \$ 162,213 |
| 06/30/2019 | | | \$ (1,895) | \$ 160,318 |
| 06/30/2020 | | | \$ (1,550) | \$ 158,768 |

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

General Fund inter-fund loan to Industrial Sewer Operating Fund

The General Fund entered into a loan agreement with the Industrial Sewer Operating fund to assist with expenses. The repayment of the loan has been included in the current rates.

| General Fund Funds to Industrial Sewer Operating Fund | | | | |
|--|-------------|---------------------------------|----------------|----------------|
| Initial Date: June 2015 | | Maturity Date: June 2021 | | |
| Date | Loan | Interest | Payment | Balance |
| 06/30/2015 | \$ 500,000 | | | \$ 500,000 |
| 06/30/2016 | | \$ 2,160 | | \$ 502,160 |
| 06/30/2017 | | \$ 3,760 | \$ (95,000) | \$ 410,920 |
| 06/30/2018 | | \$ 5,654 | \$ (104,000) | \$ 312,574 |
| 06/30/2019 | | \$ 7,589 | \$ (104,000) | \$ 216,163 |
| 06/30/2020 | | \$ 6,045 | \$ (112,000) | \$ 110,208 |

The total due to the General Fund is \$268,976 for the outstanding inter-fund loans.

Transportation Impact Fund inter-fund loan to City Hall Impact Fund

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The Transportation Impact Fund provided an inter-fund loan to the City Hall Impact fund. With the initial loan in 2011 for the City Hall Tenant Improvement project, there were two separate loans. The second loan assisted with the paydown of the Civic Center Loan in 2013.

| Transportation Impact Fund to City Hall Impact Fund | | | | |
|--|--------------|---------------------------------|----------------|----------------|
| Initial Date: October 2011 | | Maturity Date: June 2031 | | |
| Initial Date: June 2013 | | Maturity Date: June 2033 | | |
| Date | Loan | Interest | Payment | Balance |
| 11/01/2011 | \$ 1,300,000 | | | \$ 1,300,000 |
| 06/30/2013 | | \$ 3,991 | | \$ 1,303,991 |
| 01/31/2014 | \$ 450,000 | | | \$ 1,753,991 |
| 06/30/2014 | | \$ 4,358 | | \$ 1,758,349 |
| 06/30/2015 | | \$ 4,708 | \$ (49,942) | \$ 1,713,114 |
| 06/30/2016 | | \$ 7,399 | \$ (2,151) | \$ 1,718,362 |
| 06/30/2017 | | \$ 12,921 | \$ (1,321) | \$ 1,729,961 |
| 06/30/2018 | | \$ 17,943 | | \$ 1,747,904 |
| 06/30/2019 | | \$ 42,439 | \$ (4,604) | \$ 1,785,739 |
| 06/30/2020 | | \$ 34,536 | \$ (7,028) | \$ 1,813,247 |

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Public Works Impact Fund inter-fund loan to City Hall Impact Fund

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The Public Works Impact Fund provided an inter-fund loan to the City Hall Impact fund. The loan assisted with the paydown of the Civic Center loan in 2013.

| <i>Public Works Impact Fund to City Hall Impact Fund</i> | | | | |
|---|-------------|--|----------------|----------------|
| <i>Initial Date: June 2013</i> | | <i>Maturity Date: June 2033</i> | | |
| Date | Loan | Interest | Payment | Balance |
| 01/31/2014 | \$ 300,000 | \$ 747 | | \$ 300,747 |
| 06/30/2015 | | \$ 807 | \$ (8,562) | \$ 292,992 |
| 06/30/2016 | | \$ 1,265 | \$ (368) | \$ 293,890 |
| 06/30/2017 | | \$ 2,210 | \$ (226) | \$ 295,874 |
| 06/30/2018 | | \$ 4,044 | | \$ 299,918 |
| 06/30/2019 | | \$ 7,282 | \$ (790) | \$ 306,410 |
| 06/30/2020 | | \$ 5,926 | \$ (1,206) | \$ 311,130 |

In Lieu Low Income Housing Fund inter-fund loan to City Hall Impact Fund

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The In Lieu Low Income Housing Fund provided an inter-fund loan to the City Hall Impact fund. The loan assisted with the paydown of the Civic Center loan in 2013.

| <i>In Lieu Low Income Funds to City Hall Fund</i> | | | | |
|--|-------------|--|----------------|----------------|
| <i>Initial Date: June 2013</i> | | <i>Maturity Date: June 2033</i> | | |
| Date | Loan | Interest | Payment | Balance |
| 01/31/2014 | \$ 800,000 | | | \$ 800,000 |
| 06/30/2014 | | \$ 1,992 | | \$ 801,992 |
| 06/30/2015 | | \$ 2,152 | \$ (22,831) | \$ 781,313 |
| 06/30/2016 | | \$ 3,375 | \$ (981) | \$ 783,707 |
| 06/30/2017 | | \$ 5,893 | \$ (603) | \$ 788,997 |
| 06/30/2018 | | \$ 10,784 | | \$ 799,781 |
| 06/30/2019 | | \$ 19,419 | \$ (2,106) | \$ 817,094 |
| 06/30/2020 | | \$ 15,803 | \$ (3,216) | \$ 829,681 |

The City Hall Impact Fund has a total of \$2,954,058 in outstanding inter-fund loan balance.

**CITY OF ESCALON
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the fiscal year 2020-2021, City management looked at the following factors:

REVENUE

- A slight decrease in Property Tax from FY 19-20 mid-year adopted budget.
- A 19.8% decrease in Sales Tax from the FY 19-20 mid-year adopted budget.
- General Fund revenues overall included a 5.2% reduction as a result of the COVID-19 Stay at Home Orders.

EXPENDITURES

- Increase for Public Employee Retirement System (PERS) costs.
- Increases for personnel cost based on employee negotiated salary increases.
- Decrease with the elimination of Part-time Executive Assistant position.
- Continuation of a conservative approach when applying administrative charges to the Capital Improvement Projects.

For the fiscal year 2020-2021, the City's general fund operating revenues have been projected to decrease based on COVID-19, and expenditures have been established with minimal increases. Total operational budgeted revenues and expenses for the fiscal year are budgeted at \$4.1 million and \$4.5 million, respectively. The budget provides the organization with the direction and tools necessary to maintain a consistent City Services level and continue the internal transformation to take advantage of our strengths and improve our weaknesses. The City must continually strive to provide essential services to its citizens while under financial constraints.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Escalon's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Director, City of Escalon, 2060 McHenry Ave., Escalon, California 95320.

CITY OF ESCALON
STATEMENTS OF NET POSITION
JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019

| | Primary Government | | Totals | |
|---|-------------------------|------------------------|-------------------|-------------------|
| | Governmental Activities | Proprietary Activities | 2020 | 2019 |
| ASSETS | | | | |
| Cash And Investments | 10,615,339 | 10,898,746 | 21,514,085 | 19,686,543 |
| Accounts Receivable | 762,910 | 582,891 | 1,345,801 | 1,403,295 |
| Loans Receivable | 143,000 | 8,890 | 151,890 | 143,000 |
| Bond Issue Cost | 28,717 | 92,144 | 120,861 | 131,781 |
| Sewer Fund Loan | 110,208 | 0 | 110,208 | 216,163 |
| Capital Assets (Net Of Accumulated Depreciation): | | | | |
| Land | 9,927,214 | 4,757,505 | 14,684,719 | 14,684,719 |
| Construction In Progress | 25,471 | 193,952 | 219,423 | 3,090,643 |
| Buildings And Improvements | 9,302,892 | 731,921 | 10,034,813 | 9,995,838 |
| Equipment And Vehicles | 496,142 | 520,973 | 1,017,115 | 1,286,599 |
| Infrastructure | 12,898,929 | 11,871,772 | 24,770,701 | 21,846,836 |
| Total Assets | <u>44,310,822</u> | <u>29,658,794</u> | <u>73,969,616</u> | <u>72,485,417</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Current Pension Plan Contribution | <u>730,870</u> | <u>184,639</u> | <u>915,509</u> | <u>1,604,688</u> |
| LIABILITIES | | | | |
| Accounts Payable And Other | 418,528 | 650,974 | 1,069,502 | 727,239 |
| Current Liabilities | 82,089 | 54,295 | 136,384 | 174,575 |
| Compensated Absences | 195,254 | 53,538 | 248,792 | 237,379 |
| Net Pension Liability | 4,597,848 | 1,271,717 | 5,869,565 | 5,518,567 |
| Long-Term Liabilities: | | | | |
| Due Within One Year | 92,695 | 269,237 | 361,932 | 384,688 |
| Due In More Than One Year | <u>2,792,847</u> | <u>3,569,264</u> | <u>6,362,111</u> | <u>6,879,610</u> |
| Total Liabilities | <u>8,179,261</u> | <u>5,869,025</u> | <u>14,048,286</u> | <u>13,922,058</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferral Of Pension Expense | <u>620,929</u> | <u>193,555</u> | <u>814,484</u> | <u>746,342</u> |
| NET POSITION | | | | |
| Invested In Capital Assets | | | | |
| Net Of Related Debt | 29,765,106 | 14,347,830 | 44,112,936 | 43,941,664 |
| Restricted For: | | | | |
| Capital Projects | 8,060,328 | 0 | 8,060,328 | 7,175,344 |
| Community Development Projects | (1,539,991) | 0 | (1,539,991) | (1,475,133) |
| Debt Service | 0 | 0 | 0 | 0 |
| Unrestricted | (43,941) | 9,433,023 | 9,389,082 | 9,779,830 |
| Total Net Position | <u>36,241,502</u> | <u>23,780,853</u> | <u>60,022,355</u> | <u>59,421,705</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| Functions/Programs | Expenses |
|---------------------------------|--------------------------|
| Primary Government: | |
| Governmental Activities: | |
| General Government | 330,331 |
| Public Safety | 3,032,411 |
| Public Works | 1,175,372 |
| Community Development | 735,233 |
| Culture And Leisure | 715,549 |
| Interest on Long-Term Debt | <u>129,632</u> |
| Total Governmental Activities | <u>6,118,528</u> |
| Business-Type Activities | |
| Water Services | 1,242,482 |
| Sewer Services | 2,869,881 |
| Storm Drain Services | 273,811 |
| Transit Services | <u>167,308</u> |
| Total Business-Type Activities | <u>4,553,482</u> |
| Total Primary Government | <u><u>10,672,010</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Program Revenues | | | Net (Expense) Revenue And Changes In Net Assets Primary Government | | | |
|--|--|--|--|---------------------------|---------------------|---------------------|
| Fines, Fees And Charges For Services | Operating Grants And Contributions | Capital Grants And Contributions | Governmental Activities | Proprietary Activities | Total | |
| | | | | | 2020 | 2019 |
| 214,359 | 0 | 0 | (115,972) | 0 | (115,972) | (109,536) |
| 121,376 | 198,814 | 0 | (2,712,221) | 0 | (2,712,221) | (2,362,055) |
| 70,467 | 0 | 726,051 | (378,854) | 0 | (378,854) | (366,722) |
| 313,205 | 0 | 0 | (422,028) | 0 | (422,028) | (248,965) |
| 330,608 | 0 | 0 | (384,941) | 0 | (384,941) | (319,807) |
| 0 | 0 | 0 | (129,632) | 0 | (129,632) | (144,782) |
| <u>1,050,015</u> | <u>198,814</u> | <u>726,051</u> | <u>(4,143,648)</u> | <u>0</u> | <u>(4,143,648)</u> | <u>(3,551,867)</u> |
| 1,847,811 | 0 | 0 | 0 | 605,329 | 605,329 | 557,524 |
| 2,901,717 | 0 | 0 | 0 | 31,836 | 31,836 | 674,646 |
| 199,036 | 0 | 0 | 0 | (74,775) | (74,775) | (46,191) |
| 12,410 | 49,861 | 0 | 0 | (105,037) | (105,037) | 166,796 |
| <u>4,960,974</u> | <u>49,861</u> | <u>0</u> | <u>0</u> | <u>457,353</u> | <u>457,353</u> | <u>1,352,775</u> |
| <u>6,010,989</u> | <u>248,675</u> | <u>726,051</u> | <u>(4,143,648)</u> | <u>457,353</u> | <u>(3,686,295)</u> | <u>(2,199,092)</u> |

General Revenues:

| | | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|--|--|
| Taxes: | | | | | | |
| Property Tax | 1,859,434 | 0 | 1,859,434 | 1,804,277 | | |
| Sales Tax | 1,070,958 | 0 | 1,070,958 | 1,170,243 | | |
| Motor Vehicle Tax | 6,146 | 0 | 6,146 | 9,468 | | |
| Franchise Tax | 257,586 | 0 | 257,586 | 253,028 | | |
| Other Taxes | 371,550 | 0 | 371,550 | 324,720 | | |
| Investment Earnings | 379,892 | 341,379 | 721,271 | 681,972 | | |
| Gain (Loss) On Sale Of Property | 0 | 0 | 0 | 480 | | |
| Transfers | 0 | 0 | 0 | 0 | | |
| Total General Revenues And Transfers | <u>3,945,566</u> | <u>341,379</u> | <u>4,286,945</u> | <u>4,244,188</u> | | |
| Change In Net Position | (198,082) | 798,732 | 600,650 | 2,045,096 | | |
| Net Postion - Beginning | 36,439,584 | 22,982,121 | 59,421,705 | 57,376,609 | | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | | |
| Net Postion - Beginning Adjusted | <u>36,439,584</u> | <u>22,982,121</u> | <u>59,421,705</u> | <u>57,376,609</u> | | |
| Net Postion - Ending | <u>36,241,502</u> | <u>23,780,853</u> | <u>60,022,355</u> | <u>59,421,705</u> | | |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | <u>General</u> | <u>Measure K</u> | <u>Transportation Mitigation Fund</u> |
|-------------------------------------|-------------------------|-------------------------|---|
| Assets | | | |
| Cash And Investments | 4,257,370 | 1,606,444 | 1,493,510 |
| Accounts Receivable | 328,174 | 105,127 | 3,103 |
| Loans Receivable | 143,000 | 0 | 0 |
| Due From Other Funds | 158,768 | 0 | 1,813,247 |
| Sewer Fund Loan | 110,208 | 0 | 0 |
| Prepaid Expenses | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Assets | <u><u>4,997,520</u></u> | <u><u>1,711,571</u></u> | <u><u>3,309,860</u></u> |
| Liabilities | | | |
| Accounts Payable | 304,928 | 84,826 | 0 |
| Compensated Absences | 0 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 |
| Loans Payable | 0 | 0 | 0 |
| Other Liabilities | <u>82,089</u> | <u>0</u> | <u>0</u> |
| Total Liabilities | <u><u>387,017</u></u> | <u><u>84,826</u></u> | <u><u>0</u></u> |
| Fund Balances | | | |
| Nonspendable | 411,976 | 0 | 0 |
| Restricted | 0 | 1,626,745 | 3,309,860 |
| Committed | 2,053,493 | 0 | 0 |
| Assigned | 1,264,149 | 0 | 0 |
| Unassigned | <u>880,885</u> | <u>0</u> | <u>0</u> |
| Total Fund Balances | <u><u>4,610,503</u></u> | <u><u>1,626,745</u></u> | <u><u>3,309,860</u></u> |
| Total Liabilities And Fund Balances | <u><u>4,997,520</u></u> | <u><u>1,711,571</u></u> | <u><u>3,309,860</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Transportation Fund | City Hall Fees Fund | Other Funds | Total Governmental Funds | |
|------------------------|---------------------------|------------------|--------------------------|-------------------|
| | | | 2020 | 2019 |
| 901,774 | 23 | 2,356,218 | 10,615,339 | 9,504,602 |
| 311,085 | 20 | 15,401 | 762,910 | 623,028 |
| 0 | 0 | 0 | 143,000 | 143,000 |
| 0 | 0 | 4,026,352 | 5,998,367 | 6,045,512 |
| 0 | 0 | 0 | 110,208 | 216,163 |
| 0 | 0 | 0 | 0 | 0 |
| <u>1,212,859</u> | <u>43</u> | <u>6,397,971</u> | <u>17,629,824</u> | <u>16,532,305</u> |
| 250 | 0 | 28,524 | 418,528 | 289,186 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 2,954,057 | 158,768 | 3,112,825 | 3,069,560 |
| 0 | 0 | 2,885,542 | 2,885,542 | 2,975,951 |
| 0 | 0 | 0 | 82,089 | 115,932 |
| <u>250</u> | <u>2,954,057</u> | <u>3,072,834</u> | <u>6,498,984</u> | <u>6,450,629</u> |
| 0 | 0 | 0 | 411,976 | 519,481 |
| 1,212,609 | 0 | 2,744,912 | 8,894,126 | 7,920,810 |
| 0 | 0 | 545,449 | 2,598,942 | 2,630,696 |
| 0 | 0 | 193,530 | 1,457,679 | 1,385,817 |
| 0 | (2,954,014) | (158,754) | (2,231,883) | (2,375,128) |
| <u>1,212,609</u> | <u>(2,954,014)</u> | <u>3,325,137</u> | <u>11,130,840</u> | <u>10,081,676</u> |
| <u>1,212,859</u> | <u>43</u> | <u>6,397,971</u> | <u>17,629,824</u> | <u>16,532,305</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Total fund balances - governmental funds 11,130,840

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | |
|---|----------------|------------|
| Land | 9,927,214 | |
| Construction In Progress | 25,471 | |
| Infrastrutre net of \$10,746,985 accumulated depreciation | 12,898,929 | |
| Buildings and Improvements, net of \$3,904,419 accumulated depreciation | 9,302,892 | |
| Equipment and Vehicles, net of \$1,977,149 accumulated depreciation | <u>496,142</u> | |
| Total capital assets | | 32,650,648 |

Deferred Outflow of Resources 730,870

Long-term liabilities applicable to the City's governmental activities are due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

| | | |
|-------------------------------|-------------------|--------------|
| Notes payable | (2,885,542) | |
| Compensated absences | (195,254) | |
| Net Pension Liability | (4,597,848) | |
| Deferred Inflows of Resources | <u>(620,929)</u> | |
| Total long-term liabilities | | (8,299,573) |

Deferred Bond issuance cost are not current assets or financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet 28,717

Total net position - governmental activities 36,241,502

CITY OF ESCALON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019

| | <u>General</u> | <u>Measure K</u> | <u>Transportation Mitigation Fund</u> |
|---------------------------------------|-------------------------|-------------------------|---|
| Revenues | | | |
| Property Tax | 1,859,434 | 0 | 0 |
| Sales Tax | 1,070,958 | 0 | 0 |
| Other Tax And Franchises | 314,185 | 0 | 0 |
| Licenses And Permits | 217,853 | 0 | 0 |
| Fines And Forfeitures | 53,397 | 0 | 0 |
| Investment Earnings | 129,315 | 47,684 | 81,053 |
| Intergovernmental | 42,866 | 354,481 | 0 |
| Impact Fees | 0 | 0 | 18,285 |
| Service Charges And Miscellaneous | 376,562 | 0 | 0 |
| Total Revenues | <u>4,064,570</u> | <u>402,165</u> | <u>99,338</u> |
| Expenditures | | | |
| Current | | | |
| General Government | 18,223 | 0 | 0 |
| Public Safety | 2,510,792 | 0 | 0 |
| Public Works | 225,042 | 0 | 0 |
| Community Development | 525,523 | 0 | 0 |
| Culture And Leisure | 492,900 | 0 | 0 |
| Debt Service | | | |
| Principal | 0 | 0 | 0 |
| Interest & Other Charges | 0 | 0 | 0 |
| Capital Outlay | 18,890 | 151,573 | 0 |
| Total Expenditures | <u>3,791,370</u> | <u>151,573</u> | <u>0</u> |
| Excess (Deficiency) Of Revenues | | | |
| Over Expenditures | <u>273,200</u> | <u>250,592</u> | <u>99,338</u> |
| Other Financing Sources (Uses) | | | |
| Sale Of Property | 0 | 0 | 0 |
| Operating Transfers In | 121,000 | 0 | 0 |
| Operating Transfers Out | (165,161) | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>(44,161)</u> | <u>0</u> | <u>0</u> |
| Net Change In Fund Balances | 229,039 | 250,592 | 99,338 |
| Fund Balance - Beginning | <u>4,381,464</u> | <u>1,376,153</u> | <u>3,210,522</u> |
| Fund Balance- Ending | <u><u>4,610,503</u></u> | <u><u>1,626,745</u></u> | <u><u>3,309,860</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Transportation Fund | City Hall Fees Fund | Other Funds | Total Governmental Funds | |
|------------------------|---------------------------|------------------|--------------------------|-------------------|
| | | | 2020 | 2019 |
| 0 | 0 | 0 | 1,859,434 | 1,804,277 |
| 0 | 0 | 0 | 1,070,958 | 1,170,243 |
| 0 | 0 | 0 | 314,185 | 305,230 |
| 0 | 0 | 0 | 217,853 | 217,761 |
| 0 | 0 | 24,720 | 78,117 | 33,547 |
| 27,000 | 134 | 94,706 | 379,892 | 367,573 |
| 309,193 | 0 | 539,422 | 1,245,962 | 1,092,696 |
| 0 | 11,275 | 216,297 | 245,857 | 307,413 |
| 0 | 0 | 131,626 | 508,188 | 521,846 |
| <u>336,193</u> | <u>11,409</u> | <u>1,006,771</u> | <u>5,920,446</u> | <u>5,820,586</u> |
| 0 | 0 | 0 | 18,223 | 29,861 |
| 0 | 0 | 47,001 | 2,557,793 | 2,302,922 |
| 0 | 0 | 0 | 225,042 | 219,729 |
| 0 | 0 | 86,613 | 612,136 | 485,523 |
| 0 | 0 | 45,024 | 537,924 | 545,660 |
| 0 | 0 | 90,409 | 90,409 | 88,134 |
| 0 | 56,265 | 73,367 | 129,632 | 144,782 |
| 125,093 | 0 | 404,567 | 700,123 | 1,521,766 |
| <u>125,093</u> | <u>56,265</u> | <u>746,981</u> | <u>4,871,282</u> | <u>5,338,377</u> |
| <u>211,100</u> | <u>(44,856)</u> | <u>259,790</u> | <u>1,049,164</u> | <u>482,209</u> |
| | | | 3,951,118 | |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 384,808 | 505,808 | 296,196 |
| 0 | 0 | (340,647) | (505,808) | (296,196) |
| <u>0</u> | <u>0</u> | <u>44,161</u> | <u>0</u> | <u>0</u> |
| 211,100 | (44,856) | 303,951 | 1,049,164 | 482,209 |
| 1,001,509 | (2,909,158) | 3,021,186 | 10,081,676 | 9,599,467 |
| <u>1,212,609</u> | <u>(2,954,014)</u> | <u>3,325,137</u> | <u>11,130,840</u> | <u>10,081,676</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds 1,049,164

The changes in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,207,725) exceeded capital outlays (\$700,123) in the current period. (507,602)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase (decrease) net position. 0

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets. 90,409

Bond Issuance Cost Expense (3,831)

The recording of accrued compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities. (2,304)

The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (823,918)

Changes in net position of governmental activities (198,082)

**CITY OF ESCALON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | | | |
|--|-------------------|-------------------|------------------|---|------------------|
| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) | 2019 Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax | 1,833,641 | 1,830,641 | 1,859,434 | 28,793 | 1,804,277 |
| Sales Tax | 1,228,000 | 1,228,000 | 1,070,958 | (157,042) | 1,170,243 |
| Other Tax And Franchise Fees | 298,400 | 301,400 | 314,185 | 12,785 | 305,230 |
| Licenses And Permits | 176,050 | 186,250 | 217,853 | 31,603 | 217,761 |
| Intergovernmental | 4,300 | 37,800 | 42,866 | 5,066 | 6,842 |
| Fines And Forfeitures | 28,000 | 34,000 | 53,397 | 19,397 | 33,547 |
| Investment Earnings | 55,900 | 71,900 | 129,315 | 57,415 | 121,052 |
| Service Charges And Miscellaneous | 379,850 | 390,690 | 376,562 | (14,128) | 416,049 |
| Total Revenues | <u>4,004,141</u> | <u>4,080,681</u> | <u>4,064,570</u> | <u>(16,111)</u> | <u>4,075,001</u> |
| EXPENDITURES | | | | | |
| General Government | 22,000 | 26,353 | 18,223 | (8,130) | 29,861 |
| Public Safety | 2,916,247 | 2,925,278 | 2,510,792 | (414,486) | 2,294,089 |
| Public Works | 293,327 | 296,214 | 225,042 | (71,172) | 219,729 |
| Community Development | 591,413 | 571,718 | 525,523 | (46,195) | 406,319 |
| Culture And Leisure | 599,082 | 601,903 | 492,900 | (109,003) | 527,974 |
| Capital Outlay | 80,695 | 80,695 | 18,890 | (61,805) | 69,690 |
| Total Expenditures | <u>4,502,764</u> | <u>4,502,161</u> | <u>3,791,370</u> | <u>(710,791)</u> | <u>3,547,662</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | <u>(498,623)</u> | <u>(421,480)</u> | <u>273,200</u> | <u>694,680</u> | <u>527,339</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 225,000 | 329,000 | 121,000 | (208,000) | 131,000 |
| Transfers Out | (166,285) | (166,285) | (165,161) | 1,124 | (165,196) |
| Total Other Financing Sources And (Uses) | <u>58,715</u> | <u>162,715</u> | <u>(44,161)</u> | <u>(206,876)</u> | <u>(34,196)</u> |
| Net Change In Fund Balance | <u>(439,908)</u> | <u>(258,765)</u> | <u>229,039</u> | <u>487,804</u> | <u>493,143</u> |
| Fund Balance - Beginning | <u>4,381,464</u> | <u>4,381,464</u> | <u>4,381,464</u> | <u>0</u> | <u>3,888,321</u> |
| Fund Balance - Ending | <u>3,941,556</u> | <u>4,122,699</u> | <u>4,610,503</u> | <u>487,804</u> | <u>4,381,464</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | | Variance With Final Budget Over (Under) | 2019 Actual |
|-----------------------------|------------------|-----------|-----------|---|----------------|
| | Budgeted Amounts | | Actual | | |
| | Original | Final | | | |
| General Government | | | | | |
| Legislative | 0 | 9,288 | 9,121 | (167) | 5,400 |
| Management And Support | 50,645 | 54,998 | 21,894 | (33,104) | 57,609 |
| Total General Government | 50,645 | 64,286 | 31,015 | (33,104) | 63,009 |
| Public Safety | | | | | |
| Police | 2,722,529 | 2,720,666 | 2,305,295 | (415,371) | 2,100,939 |
| Street Lights | 119,101 | 119,101 | 84,771 | (34,330) | 94,713 |
| Animal Control | 119,967 | 132,861 | 116,852 | (16,009) | 110,175 |
| Code Enforcement | 4,700 | 4,700 | 9,972 | 5,272 | 0 |
| Total Public Safety | 2,966,297 | 2,977,328 | 2,516,890 | (460,438) | 2,305,827 |
| Public Works | | | | | |
| Street Maintenance (Trees) | 33,229 | 33,229 | 23,617 | (9,612) | 24,461 |
| Street Maintenance | 260,098 | 262,985 | 201,425 | (61,560) | 220,072 |
| Total Public Works | 293,327 | 296,214 | 225,042 | (71,172) | 244,533 |
| Community Development | | | | | |
| Planning | 212,784 | 195,708 | 183,330 | (12,378) | 122,561 |
| Building Regulation | 186,585 | 184,437 | 164,859 | (19,578) | 145,585 |
| Engineering | 192,044 | 191,573 | 177,334 | (14,239) | 138,173 |
| Total Community Development | 591,413 | 571,718 | 525,523 | (46,195) | 406,319 |
| Culture And Leisure | | | | | |
| Parks | 159,493 | 151,647 | 140,898 | (10,749) | 141,515 |
| Recreation | 287,093 | 286,342 | 234,752 | (51,590) | 243,466 |
| Library | 55,219 | 55,142 | 45,254 | (9,888) | 53,983 |
| Community Center | 97,277 | 108,772 | 71,996 | (36,776) | 89,010 |
| Total Culture And Leisure | 599,082 | 601,903 | 492,900 | (109,003) | 527,974 |
| Total General Fund | 4,500,764 | 4,511,449 | 3,791,370 | (719,912) | 3,547,662 |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
MEASURE K
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | | | |
|--|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) | 2019 Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Interest Income | 13,500 | 13,500 | 47,684 | 34,184 | 38,449 |
| Intergovernmental | 300,000 | 300,000 | 354,481 | 54,481 | 384,747 |
| Total Revenues | <u>313,500</u> | <u>313,500</u> | <u>402,165</u> | <u>88,665</u> | <u>423,196</u> |
| EXPENDITURES | | | | | |
| Supplies And Services | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 177,500 | 297,000 | 151,573 | (145,427) | 333,458 |
| Total Expenditures | <u>177,500</u> | <u>297,000</u> | <u>151,573</u> | <u>(145,427)</u> | <u>333,458</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | <u>136,000</u> | <u>16,500</u> | <u>250,592</u> | <u>234,092</u> | <u>89,738</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources And (Use) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change In Fund Balance | 136,000 | 16,500 | 250,592 | 234,092 | 89,738 |
| Fund Balance - Beginning | <u>1,376,153</u> | <u>1,376,153</u> | <u>1,376,153</u> | <u>0</u> | <u>1,286,415</u> |
| Fund Balance - Ending | <u><u>1,512,153</u></u> | <u><u>1,392,653</u></u> | <u><u>1,626,745</u></u> | <u><u>234,092</u></u> | <u><u>1,376,153</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
TRANSPORTATION MITIGATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | | | |
|--|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) | 2019 Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Interest Income | 17,000 | 17,000 | 81,053 | 64,053 | 88,926 |
| Impact Fees | 20,495 | 20,495 | 18,285 | (2,210) | 16,240 |
| Total Revenues | <u>37,495</u> | <u>37,495</u> | <u>99,338</u> | <u>61,843</u> | <u>105,166</u> |
| EXPENDITURES | | | | | |
| Supplies And Services | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | <u>37,495</u> | <u>37,495</u> | <u>99,338</u> | <u>61,843</u> | <u>105,166</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources And (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change In Fund Balance | 37,495 | 37,495 | 99,338 | 61,843 | 105,166 |
| Fund Balance - Beginning | <u>3,210,522</u> | <u>3,210,522</u> | <u>3,210,522</u> | <u>0</u> | <u>3,105,356</u> |
| Fund Balance - Ending | <u><u>3,248,017</u></u> | <u><u>3,248,017</u></u> | <u><u>3,309,860</u></u> | <u><u>61,843</u></u> | <u><u>3,210,522</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | Actual | Variance With Final Budget Over (Under) | 2019 Actual |
|--|-------------------------|-----------------------|-------------------------|--|-------------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Interest Income | 10,000 | 10,000 | 27,000 | 17,000 | 28,477 |
| Intergovernmental | 190,000 | 190,000 | 309,193 | 119,193 | 240,946 |
| Miscellaneous Revenues | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Revenues | <u>200,000</u> | <u>200,000</u> | <u>336,193</u> | <u>136,193</u> | <u>269,423</u> |
| EXPENDITURES | | | | | |
| Supplies And Services | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | <u>563,500</u> | <u>563,500</u> | <u>125,093</u> | <u>(438,407)</u> | <u>1,044,412</u> |
| Total Expenditures | <u>563,500</u> | <u>563,500</u> | <u>125,093</u> | <u>(438,407)</u> | <u>1,044,412</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | <u>(363,500)</u> | <u>(363,500)</u> | <u>211,100</u> | <u>574,600</u> | <u>(774,989)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>161,202</u> |
| Total Other Financing Sources And (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>161,202</u> |
| Net Change In Fund Balance | <u>(363,500)</u> | <u>(363,500)</u> | <u>211,100</u> | <u>574,600</u> | <u>(613,787)</u> |
| Fund Balance - Beginning | <u>1,001,509</u> | <u>1,001,509</u> | <u>1,001,509</u> | <u>0</u> | <u>1,615,296</u> |
| Fund Balance - Ending | <u><u>638,009</u></u> | <u><u>638,009</u></u> | <u><u>1,212,609</u></u> | <u><u>574,600</u></u> | <u><u>1,001,509</u></u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
CITY HALL FEES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | 2020 | | Actual | Variance With Final Budget Over (Under) | 2019 Actual |
|--|-------------------------|---------------------|---------------------|--|------------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Interest Income | 0 | 0 | 134 | 134 | 86 |
| Impact Fees | <u>4,460</u> | <u>4,460</u> | <u>11,275</u> | <u>6,815</u> | <u>13,188</u> |
| Total Revenues | <u>4,460</u> | <u>4,460</u> | <u>11,409</u> | <u>6,949</u> | <u>13,274</u> |
| EXPENDITURES | | | | | |
| Supplies And Services | 0 | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 56,265 | 56,265 | 69,140 |
| Capital Outlay | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Expenditures | <u>0</u> | <u>0</u> | <u>56,265</u> | <u>56,265</u> | <u>69,140</u> |
| Excess (Deficiency) Of Revenues Over Expenditures | <u>4,460</u> | <u>4,460</u> | <u>(44,856)</u> | <u>(49,316)</u> | <u>(55,866)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Sources And (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change In Fund Balance | 4,460 | 4,460 | (44,856) | (49,316) | (55,866) |
| Fund Balance - Beginning | <u>(2,909,158)</u> | <u>(2,909,158)</u> | <u>(2,909,158)</u> | <u>0</u> | <u>(2,853,292)</u> |
| Fund Balance - Ending | <u>(2,904,698)</u> | <u>(2,904,698)</u> | <u>(2,954,014)</u> | <u>(49,316)</u> | <u>(2,909,158)</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

Business-Type Activities-Enterprise Funds

| | Sewer Fund | Water Fund | Storm Drain Fund | Transit Fund | Totals 2020 | Totals 2019 |
|--|-----------------------|-----------------------|---------------------------------|-------------------------|------------------------|------------------------|
| Assets | | | | | | |
| Cash And Investments | 5,460,467 | 4,878,642 | 485,195 | 74,442 | 10,898,746 | 10,181,941 |
| Accounts Receivable | 231,424 | 295,056 | 1,037 | 55,374 | 582,891 | 780,267 |
| Loan Receivable | 8,890 | 0 | 0 | 0 | 8,890 | 0 |
| Prepays | 0 | 0 | 0 | 0 | 0 | 0 |
| Fixed Assets | 11,907,434 | 12,066,875 | 3,309,992 | 434,138 | 27,718,439 | 25,119,645 |
| Accumulated Depreciation | (5,102,128) | (3,321,190) | (1,123,338) | (289,612) | (9,836,268) | (9,287,347) |
| Loan Fees | 92,144 | 0 | 0 | 0 | 92,144 | 99,232 |
| Work In Progress | 18,965 | 174,987 | 0 | 0 | 193,952 | 1,914,087 |
| Total Assets | <u>12,617,196</u> | <u>14,094,370</u> | <u>2,672,886</u> | <u>274,342</u> | <u>29,658,794</u> | <u>28,807,825</u> |
| Deferred Outflows Of Resources | | | | | | |
| Current Pension Plan | | | | | | |
| Contribution | <u>63,416</u> | <u>105,891</u> | <u>15,332</u> | <u>0</u> | <u>184,639</u> | <u>361,487</u> |
| Liabilities | | | | | | |
| Accounts Payable | 578,096 | 48,946 | 4,076 | 19,856 | 650,974 | 438,053 |
| Customer Deposits | 0 | 51,498 | 0 | 0 | 51,498 | 54,331 |
| Compensated Absences | 23,564 | 23,695 | 6,279 | 0 | 53,538 | 44,429 |
| General Fund Loan | 110,208 | 0 | 0 | 0 | 110,208 | 216,163 |
| Other Liabilities | 0 | 0 | 0 | 2,797 | 2,797 | 4,312 |
| Net Pension Liability | 502,151 | 637,164 | 132,402 | 0 | 1,271,717 | 1,181,649 |
| Loan Payable | 3,549,416 | 0 | 0 | 0 | 3,549,416 | 3,991,798 |
| Bond Payable | 0 | 178,877 | 0 | 0 | 178,877 | 80,386 |
| Total Liabilities | <u>4,763,435</u> | <u>940,180</u> | <u>142,757</u> | <u>22,653</u> | <u>5,869,025</u> | <u>6,011,121</u> |
| Deferred Inflows Of Resources | | | | | | |
| Deferral Of Pension Expense | <u>77,254</u> | <u>96,475</u> | <u>19,826</u> | <u>0</u> | <u>193,555</u> | <u>176,070</u> |
| Net Position | | | | | | |
| Invested In Capital Assets, Net Of Related Debt | 3,274,855 | 8,741,795 | 2,186,654 | 144,526 | 14,347,830 | 13,759,365 |
| Restricted For Debt Service | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrestricted | <u>4,565,068</u> | <u>4,421,811</u> | <u>338,981</u> | <u>107,163</u> | <u>9,433,023</u> | <u>9,222,756</u> |
| Total Net Position | <u>7,839,923</u> | <u>13,163,606</u> | <u>2,525,635</u> | <u>251,689</u> | <u>23,780,853</u> | <u>22,982,121</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | Business-Type Activities-Enterprise Funds | | | | | Totals | |
|---|--|-------------------|-------------------------|---------------------|-------------------|-------------------|--|
| | Sewer Fund | Water Fund | Storm Drain Fund | Transit Fund | 2020 | 2019 | |
| Operating Revenues | | | | | | | |
| Service Charges | 2,824,213 | 1,600,138 | 180,870 | 2,033 | 4,607,254 | 4,540,523 | |
| Intergovernmental | 0 | 0 | 0 | 49,861 | 49,861 | 301,534 | |
| Miscellaneous Revenues | 742 | 4,050 | 0 | 10,377 | 15,169 | 6,878 | |
| Total Operating Revenues | <u>2,824,955</u> | <u>1,604,188</u> | <u>180,870</u> | <u>62,271</u> | <u>4,672,284</u> | <u>4,848,935</u> | |
| Operating Expenses | | | | | | | |
| Employee Services | 461,881 | 485,276 | 107,057 | 5,973 | 1,060,187 | 964,354 | |
| Supplies And Services | 1,986,380 | 570,171 | 123,984 | 123,684 | 2,804,219 | 2,328,587 | |
| Depreciation | 287,412 | 181,089 | 42,770 | 37,651 | 548,922 | 494,736 | |
| Total Operating Expenses | <u>2,735,673</u> | <u>1,236,536</u> | <u>273,811</u> | <u>167,308</u> | <u>4,413,328</u> | <u>3,787,677</u> | |
| Operating Income (Loss) | <u>89,282</u> | <u>367,652</u> | <u>(92,941)</u> | <u>(105,037)</u> | <u>258,956</u> | <u>1,061,258</u> | |
| Nonoperating Revenues (Expenses) | | | | | | | |
| Investment Earnings | 166,999 | 149,506 | 21,907 | 2,967 | 341,379 | 314,399 | |
| Connection Fees | 76,762 | 243,623 | 18,166 | 0 | 338,551 | 354,840 | |
| Development Fees | 0 | 0 | 0 | 0 | 0 | 22,632 | |
| Gain/Loss on Sale of Assets | 0 | 0 | 0 | 0 | 0 | 480 | |
| Development Contribution | 0 | 0 | 0 | 0 | 0 | 0 | |
| Amortization of Bond Issuance Cost | (7,088) | 0 | 0 | 0 | (7,088) | (9,105) | |
| Interest Expense | (127,120) | (5,946) | 0 | 0 | (133,066) | (76,852) | |
| Total Nonoperating Revenues (Expenses) | <u>109,553</u> | <u>387,183</u> | <u>40,073</u> | <u>2,967</u> | <u>539,776</u> | <u>606,394</u> | |
| Income Before Transfers | <u>198,835</u> | <u>754,835</u> | <u>(52,868)</u> | <u>(102,070)</u> | <u>798,732</u> | <u>1,667,652</u> | |
| Operating Transfer In | 679,305 | 274,129 | 0 | 0 | 953,434 | 4,066,253 | |
| Operating Transfer Out | (679,305) | (274,129) | 0 | 0 | (953,434) | (4,066,253) | |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | |
| Change In Net Position | 198,835 | 754,835 | (52,868) | (102,070) | 798,732 | 1,667,652 | |
| Total Net Postion - Beginning | 7,641,088 | 12,408,771 | 2,578,503 | 353,759 | 22,982,121 | 21,314,469 | |
| Total Net Position - Ending | <u>7,839,923</u> | <u>13,163,606</u> | <u>2,525,635</u> | <u>251,689</u> | <u>23,780,853</u> | <u>22,982,121</u> | |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | Business-Type Activities-Enterprise Funds | | | | Totals | |
|--|--|-------------------|-------------------------|---------------------|---------------------|-------------------|
| | Sewer Fund | Water Fund | Storm Drain Fund | Transit Fund | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts From Customers And Users | 2,830,179 | 1,588,736 | 181,504 | 257,519 | 4,857,938 | 4,604,310 |
| Payments To Suppliers | (1,782,078) | (572,126) | (123,744) | (114,868) | (2,592,816) | (2,114,600) |
| Payments To Employees | (331,668) | (353,643) | (75,393) | (5,973) | (766,677) | (757,598) |
| Net Cash Provided By Operating Activities | <u>716,433</u> | <u>662,967</u> | <u>(17,633)</u> | <u>136,678</u> | <u>1,498,445</u> | <u>1,732,112</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfer Ins | 679,305 | 274,129 | 0 | 0 | 953,434 | 4,066,253 |
| Transfer Out | (679,305) | (274,129) | 0 | 0 | (953,434) | (4,066,253) |
| Net Cash Provided (Used) By Capital And Related Financing Activities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Connection Fees | 76,762 | 243,623 | 18,166 | 0 | 338,551 | 354,840 |
| Development Fees | 0 | 0 | 0 | 0 | 0 | 22,632 |
| Due to Other Funds | (105,955) | 0 | 0 | 0 | (105,955) | (96,411) |
| Purchase Of Capital Assets | (604,530) | (274,129) | 0 | 0 | (878,659) | (2,184,967) |
| Gain/Loss On Sale Of Capital Assets | 0 | 0 | 0 | 0 | 0 | 480 |
| Proceeds from New Loan | 0 | 0 | 0 | 0 | 0 | 4,051,497 |
| Principal Paid On Capital Debt | (213,894) | (129,997) | 0 | 0 | (343,891) | (733,177) |
| Interest Paid On Capital Debt | (127,120) | (5,946) | 0 | 0 | (133,066) | (76,852) |
| Net Cash Provided (Used) By Capital And Related Financing Activities | <u>(974,737)</u> | <u>(166,449)</u> | <u>18,166</u> | <u>0</u> | <u>(1,123,020)</u> | <u>1,338,042</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest Received | <u>166,999</u> | <u>149,507</u> | <u>21,907</u> | <u>2,967</u> | <u>341,380</u> | <u>314,400</u> |
| Net Cash Provided By Investing Activities | <u>166,999</u> | <u>149,507</u> | <u>21,907</u> | <u>2,967</u> | <u>341,380</u> | <u>314,400</u> |
| Net Increase In Cash And Cash Equivalents | (91,305) | 646,025 | 22,440 | 139,645 | 716,805 | 3,384,554 |
| Cash And Equivalents, July 1 | <u>5,551,772</u> | <u>4,232,617</u> | <u>462,755</u> | <u>(65,203)</u> | <u>10,181,941</u> | <u>6,797,387</u> |
| Cash And Equivalents, June 30 | <u>5,460,467</u> | <u>4,878,642</u> | <u>485,195</u> | <u>74,442</u> | <u>10,898,746</u> | <u>10,181,941</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities | Business-Type Activities-Enterprise Funds | | | | | |
|--|---|----------------|------------------|-----------------|------------------|------------------|
| | Sewer Fund | Water Fund | Storm | | Totals | |
| | | | Drain Fund | Transit Fund | 2020 | 2019 |
| Operating Income | 89,282 | 367,652 | (92,941) | (105,037) | 258,956 | 1,061,258 |
| Adjustments To Reconcile Operating Income | | | | | | |
| To Net Cash Provided (Used) By Operating Activities | | | | | | |
| Depreciation Expense | 287,412 | 181,089 | 42,770 | 37,651 | 548,922 | 494,736 |
| Receipts From Interfund Services Provided | | | | | | |
| Deferred Outflows of Resources | 78,201 | 79,874 | 18,773 | 0 | 176,848 | 302,607 |
| Accounts Receivable | 14,114 | (12,619) | 634 | 195,248 | 197,377 | (242,839) |
| Increase (Decrease) In | | | | | | |
| Accounts Payable | 204,302 | (1,955) | 240 | 8,816 | 211,403 | 213,987 |
| Compensated Absences | 4,452 | 3,183 | 1,474 | 0 | 9,109 | 4,922 |
| Loan Rec | (8,890) | 0 | 0 | 0 | (8,890) | 0 |
| Deferred Inflows of Resources | 7,732 | 7,897 | 1,856 | 0 | 17,485 | (65,482) |
| Net Pension Liability | 39,828 | 40,679 | 9,561 | 0 | 90,068 | (35,291) |
| Customer Deposits | 0 | (2,833) | 0 | 0 | (2,833) | (1,786) |
| Net Cash Provided (Used) By Operating Activities | <u>716,433</u> | <u>662,967</u> | <u>(17,633)</u> | <u>136,678</u> | <u>1,498,445</u> | <u>1,732,112</u> |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Escalon, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management and Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using the full accrual accounting for all of the City’s activities, except for infrastructure (roads, streets, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The more significant of the City’s accounting policies are described below:

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Escalon (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City’s reporting entity to be misleading or incomplete. The City has one component unit, Escalon Public Facilities Corporation (the Corporation). The City Council serves as the Board of the Public Facilities. Therefore, this entity is reported as blended component unit within the City’s comprehensive annual financial report (CAFR). Both the City and its blended component unit have a June 30 year-end.

City of Escalon

The City (primary government) was incorporated on March 12, 1957 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include sewer, water, storm drain, transit, public safety (police and civil defense), street construction and maintenance, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

City of Escalon (continued)

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is appointed by the City Council for a two-year term. The City Council appoints a City Manager and City Attorney. In addition the City Council sits as the governing board of the City's one component unit, Escalon Public Facilities Corporation.

Component Unit – Escalon Public Facilities Corporation was established on January 11, 2008 and is a separate governmental entity. The Corporation is responsible for the administration and providing services for the public facilities. The Corporation financial data and transactions are included within the Debt Service Fund; no separate financial report is issued for the Corporation.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources. Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.) net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Measure K Fund**- To account for receipts and disbursements of the Measure K funds.

The **Transportation Mitigation Fund**- To account for development impact fees collected. These fees are used for infrastructure and capital expenditure resulting from new developments.

Transportation Fund - To account for the City's allocation of local transportation revenues for streets, roads, and sidewalk improvements, and payments for rail services.

City Hall Fund - To account for funds received from developer fees collected to mitigate the additional impact on the City's administration functions as a result of the anticipated growth in the community.

The city reports the following major proprietary funds.

The **Water Fund** accounts for the activities of the City's water service.

The **Sewer Fund** accounts for the activities of the City's sewer service.

The **Storm Drain Fund** accounts for the activities of the City's storm drain operation.

The **Transit Fund** accounts for the activities of the City's transit service.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers and applicants, for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Net Position or Equity

1. Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

**CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

1. Cash and Investments (continued)

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types of investments. Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- Bankers Acceptances
- State Treasurer's Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Small Business Administration Loans
- Other products which are totally guaranteed and insured by the U.S government.

Investments for the City are reported at fair value. LAIF operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the city has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investment with initial maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

3. Property Taxes

Property taxes are levied on the first day of January by the county assessor, and are payable to the county tax collector in two installments.

The first installment is due November 1st, and is delinquent on December 10th, the second installment is due February 1st and is delinquent on April 10th. Taxes become a lien on the property on January 1st, and on the date of transfer of title, and the date of new construction.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

3. Property Taxes (continued)

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected. Article 13A of the California Constitution states, "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the counties and apportioned according to law to the districts within the counties."

The City has elected under state law (TEETER) to receive all of the annual property assessments in three installments as follows:

| | |
|----------|-------------|
| December | 55% |
| April | 40% |
| June | <u>5%</u> |
| | <u>100%</u> |

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, equipment and infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

6. Capital Assets (Continued)

Assets are depreciated as follows:

| | |
|---|-------------|
| Buildings and Improvements | 50 years |
| Machinery and Equipment | 3-15 years |
| Improvements | 40 years |
| Streets and Roads | 40 years |
| Traffic Signals | 30 years |
| Curb, Gutter, Sidewalks, & Median Curbs | 50 years |
| Storm Drains | 100 years |
| Water System | 50 years |
| Sewer System | 50-65 years |

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in the governmental and proprietary funds. The changes of the compensated absences were as follows:

| | Governmental Activities | Business Type Activities | Totals |
|-------------------|----------------------------|-----------------------------|----------------|
| Beginning Balance | 192,950 | 44,429 | 237,379 |
| Additions | 160,291 | 34,979 | 195,270 |
| Deletions | (157,987) | (25,870) | (183,857) |
| Ending Balance | <u>195,254</u> | <u>53,538</u> | <u>248,792</u> |

8. Pensions

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

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line 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, 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.

10. Net Position and Fund Equity

In the government-wide financial statements, net position are reported in three categories: net position invested in capital assets, net of related debt; restricted net position and unrestricted net position. Restricted net position represent net position restricted by parties outside the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position are temporarily restricted (ultimately expendable assets). All other net position are considered unrestricted.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. Non-spendable and Restricted fund balances represent the restricted classifications, and Committed, Assigned, and Unassigned represent the unrestricted classifications.

- Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that are constrained for specific purposes which are externally (outside the City) imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that are constrained for specified purpose that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

10. Net Position and Fund Equity (continued)

- Assigned fund balance represents limitations imposed by management.
- Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

| | Transportation | | | | | | Totals |
|----------------------------|------------------|------------------|------------------|---------------------|---------------------|------------------|-------------------|
| | General | Measure K | Mitigation Fund | Transportation Fund | City Hall Fees | Other Funds | |
| Fund Balances: | | | | | | | |
| Nonspendable | 411,976 | 0 | 0 | 0 | 0 | 0 | 411,976 |
| Restricted To: | | | | | | | |
| Streets and Highway | 0 | 1,626,745 | 3,309,860 | 1,212,609 | 0 | 1,512,126 | 7,661,340 |
| Housing | 0 | 0 | 0 | 0 | 0 | 876,452 | 876,452 |
| Public Safety | 0 | 0 | 0 | 0 | 0 | 300,784 | 300,784 |
| Community Development | 0 | 0 | 0 | 0 | 0 | 55,550 | 55,550 |
| Committed To: | | | | | | | |
| Capital Projects | 0 | 0 | 0 | 0 | 0 | 403,152 | 403,152 |
| Community Development | 0 | 0 | 0 | 0 | 0 | 12,567 | 12,567 |
| Park and Recreation | 0 | 0 | 0 | 0 | 0 | 129,730 | 129,730 |
| Reserves | 2,053,493 | 0 | 0 | 0 | 0 | 0 | 2,053,493 |
| Assigned To | | | | | | | |
| Equipment Reserve | 205,347 | 0 | 0 | 0 | 0 | 0 | 205,347 |
| Debt Services | 708,802 | 0 | 0 | 0 | 0 | 0 | 708,802 |
| CalPERS Reserve | 350,000 | 0 | 0 | 0 | 0 | 0 | 350,000 |
| Streets and Highway | 0 | 0 | 0 | 0 | 0 | 8,506 | 8,506 |
| Park and Recreation | 0 | 0 | 0 | 0 | 0 | 185,024 | 185,024 |
| Unassigned | 880,885 | 0 | 0 | 0 | (2,954,014) | (158,754) | (2,231,883) |
| Total Fund Balances | <u>4,610,503</u> | <u>1,626,745</u> | <u>3,309,860</u> | <u>1,212,609</u> | <u>(2,954,014)</u> | <u>3,325,137</u> | <u>11,130,840</u> |

11. Use of Estimates

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

**CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the general fund, and special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council can make supplemental budgetary appropriations throughout the year.

B. Deficit Fund Equity

For the year ended June 30, 2020, the following funds have a deficit fund balance:

| | | |
|-------------------|----|-----------|
| Library Fees Fund | \$ | 158,754 |
| City Hall Fund | \$ | 2,954,014 |

Future revenues are expected to offset the Library Fees and City Hall Funds.

III. DETAILED NOTES ON ALL FUNDS

A. Cash And Investments

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

Statement of net position:

| | |
|----------------------------|-------------------|
| Cash and investments | <u>21,514,086</u> |
| Total cash and investments | <u>21,514,086</u> |

Cash and investments as of June 30, 2019 consist of the following:

| | |
|--------------------------------------|-------------------|
| Cash on hand | 415 |
| Deposits with financial institutions | 749,190 |
| Investments in CSJVRMA | 8,395,720 |
| Investments in LAIF | <u>12,368,761</u> |
| Total cash and investments | <u>21,514,086</u> |

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Investments Authorized by the City’s Investment Policy

The City’s investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The City’s investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. 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.

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 year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 6.16 months.

| | | |
|-----------------------|-------------------|------------------------------|
| | | <u>Maturity Date</u> |
| State investment pool | <u>12,368,761</u> | 6.16 months average maturity |
| Total | <u>12,368,761</u> | |

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the City’s contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

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 ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Custodial Credit Risk (continued)

Beginning January 1, 2013, funds deposited in a non-interest - bearing transaction account no longer will receive unlimited deposit insurance covered by FDIC. All depositor's accounts at an insured depository institution including all non-interest- bearing transactions accounts will be insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000) for each deposit insurance ownership category.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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's 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.

Deferred Compensation Plan

The City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them and distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the City's property and are not subject to claims by general creditors of the City, does not report the deferred compensation plan assets on its financial statements.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

B. Accounts Receivable

Receivables at June 30, 2020 for the City’s individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

| | General | Measure K | Transport. Mitigation | Transport. Fund | City Hall Fees Fund | Non-Major Govern- mental | Total |
|-------------------|----------------|----------------|--------------------------|--------------------|---------------------------|--------------------------------|----------------|
| Governmental | | | | | | | |
| Activities: | | | | | | | |
| Utility Billing | 104,994 | 0 | 0 | 0 | 0 | 0 | 104,994 |
| Intergovernmental | 143,151 | 101,713 | 0 | 309,193 | 0 | 9,683 | 563,740 |
| Other | 80,029 | 3,414 | 3,103 | 1,892 | 20 | 5,718 | 94,176 |
| Total | <u>328,174</u> | <u>105,127</u> | <u>3,103</u> | <u>311,085</u> | <u>20</u> | <u>15,401</u> | <u>762,910</u> |

| | Sewer | Water | Storm Drain | Transit | Total |
|---------------------------|----------------|----------------|----------------|---------------|----------------|
| Business-Type Activities: | | | | | |
| Utility Billing | 205,494 | 284,733 | 0 | 0 | 490,227 |
| Intergovernmental | 0 | 0 | 0 | 51,563 | 51,563 |
| Other | 25,930 | 10,323 | 1,037 | 3,811 | 41,101 |
| Total | <u>231,424</u> | <u>295,056</u> | <u>1,037</u> | <u>55,374</u> | <u>582,891</u> |

C. Loans Receivable

The City sold three properties year under a seller financed agreement. The terms are interest only payments of \$536.25 per month with a balloon payment at the end of the 36 months terms. The principal is due in full in March 2021.

The City has a loan program to assist employees with purchase of personal computers. These loans are for a maximum of \$3,000, bear no interest and are repaid by monthly payroll deductions. As of June 30, 2020, the outstanding is \$0.00.

D. Evaluation of Subsequent Events

The City has evaluated subsequent events through November 4, 2020 the date which the financial statements were available to be issued.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

E. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Governmental-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 9,927,214 | 0 | 0 | 9,927,214 |
| Construction in progress | <u>1,176,557</u> | <u>24,721</u> | <u>(1,175,807)</u> | <u>25,471</u> |
| Total capital assets not being depreciated | <u>11,103,771</u> | <u>24,721</u> | <u>(1,175,807)</u> | <u>9,952,685</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 22,166,144 | 1,479,770 | 0 | 23,645,914 |
| Equipment and vehicles | 2,454,402 | 18,889 | 0 | 2,473,291 |
| Building and improvements | <u>12,854,761</u> | <u>352,549</u> | <u>0</u> | <u>13,207,311</u> |
| Total capital assets being depreciated | <u>37,475,307</u> | <u>1,851,208</u> | <u>0</u> | <u>39,326,516</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (10,006,759) | (740,226) | 0 | (10,746,985) |
| Equipment and vehicles | (1,797,053) | (180,096) | 0 | (1,977,149) |
| Building and improvements | <u>(3,617,016)</u> | <u>(287,403)</u> | <u>0</u> | <u>(3,904,419)</u> |
| Total accumulated depreciation | <u>(15,420,828)</u> | <u>(1,207,725)</u> | <u>0</u> | <u>(16,628,553)</u> |
| Net capital assets being depreciated | <u>22,054,479</u> | <u>643,483</u> | <u>0</u> | <u>22,697,963</u> |
| Total net capital assets - Governmental-type activities | <u>33,158,250</u> | <u>668,204</u> | <u>(1,175,807)</u> | <u>32,650,648</u> |

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

| | |
|--|------------------|
| Government Activities: | |
| General Government | 151,149 |
| Public Safety | 93,576 |
| Public Works | 821,860 |
| Community Development | 317 |
| Culture and Leisure | <u>140,823</u> |
| Total Depreciation Expense – Government Activities | <u>1,207,725</u> |

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

E. Capital Assets (continued)

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|---------------------|---------------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 4,757,505 | 0 | 0 | 4,757,505 |
| Construction In Progress | <u>1,914,087</u> | <u>52,679</u> | <u>(1,772,814)</u> | <u>193,952</u> |
| Total capital assets not being depreciated | <u>6,671,592</u> | <u>52,679</u> | <u>(1,772,814)</u> | <u>4,951,457</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 16,808,279 | 2,504,842 | 0 | 19,313,121 |
| Equipment and vehicles | 2,195,343 | 37,225 | 0 | 2,232,568 |
| Building and improvements | <u>1,358,518</u> | <u>56,727</u> | <u>0</u> | <u>1,415,245</u> |
| Total capital assets being depreciated | <u>20,362,140</u> | <u>2,598,794</u> | <u>0</u> | <u>22,960,934</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (7,120,826) | (320,522) | 0 | (7,441,348) |
| Equipment and vehicles | (1,566,093) | (145,503) | 0 | (1,711,596) |
| Building and improvements | <u>(600,427)</u> | <u>(82,897)</u> | <u>0</u> | <u>(683,324)</u> |
| Total accumulated depreciation | <u>(9,287,346)</u> | <u>(548,922)</u> | <u>0</u> | <u>(9,836,268)</u> |
| Net capital assets being depreciated | <u>11,074,794</u> | <u>2,049,872</u> | <u>0</u> | <u>13,124,666</u> |
| Total net capital assets - Business-type activities | <u>17,746,386</u> | <u>2,102,551</u> | <u>(1,772,814)</u> | <u>18,076,123</u> |

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

Business - Type Activities:

| | |
|---|----------------|
| Water | 181,089 |
| Sewer | 287,412 |
| Storm Drain | 42,770 |
| Transit | <u>37,651</u> |
| Total Depreciation Expense – Business-Type Activities | <u>548,922</u> |

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

F. Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following amounts:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------|------------------------|-------------------------|
| General Fund | 121,000 | 165,161 |
| Gas Tax | 0 | 40,000 |
| SLESF | 0 | 61,000 |
| Recreation fund | 0 | 166,000 |
| Parks Fund | 219,647 | 0 |
| Civic/Comm Ctr Debt | 165,161 | 0 |
| CDBG Comm Dev Grant | 0 | 53,647 |
| Traffic Safety | 0 | 20,000 |
| Storm | 0 | 0 |
| Water | 274,129 | 274,129 |
| Sewer | 679,305 | 679,305 |
| Total | 1,459,242 | 1,459,242 |

G. Long-Term Debt

Governmental-Type Activities:

Capital Lease

The City entered into a capital lease agreement with the Escalon Public Facilities Corporation for the purchase of and improvements to the Civic Center and renovation of the Community Center. At the end of the lease term the City will take ownership of all leased property. The City refinanced this lease on September 25, 2013. Under the new agreement the City will make monthly installments of \$10,417 per month of principal and interest at 2.50% until September 25, 2015, then monthly installments of \$13,648 per month until September 25, 2043. The capital lease outstanding balance is \$2,885,542 as of June 30, 2020.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

G. Long-Term Debt (continued)

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------------|----------------|------------------|
| 2021 | 92,695 | 71,081 | 163,776 |
| 2022 | 95,041 | 68,735 | 163,776 |
| 2023 | 97,443 | 66,333 | 163,776 |
| 2024 | 99,907 | 63,869 | 163,776 |
| 2025 | 102,433 | 61,343 | 163,776 |
| 2026-2030 | 552,449 | 266,431 | 818,880 |
| 2031-2035 | 625,831 | 193,049 | 818,880 |
| 2036-2040 | 709,065 | 109,815 | 818,880 |
| 2041-2044 | <u>510,678</u> | <u>21,558</u> | <u>532,236</u> |
| Total | <u>2,885,542</u> | <u>922,214</u> | <u>3,807,756</u> |

Business-Type Activities:

The 1984 Safe Drinking Water Bonds is due in semi-annual installments of \$41,449.37 through 2020 with interest of 4.1493%. The proceeds were used for water improvements to meet California’s safe water standards. The principal amount unpaid at June 30, 2020 is \$0.00

The City entered into an agreement with the California State Water Resource Control Board (State Water Board) as part of the construction/implementation project know as the Well No. 1 Improvement Project. Under the agreement, the State Water Board approved funding up to \$450,000. The City agreed to repay semi-annual with an interest rate of 1.70% per annum. The term of this agreement is from the state date of the project to the end date of January 1, 2024. The principal unpaid at June 30, 2020 is \$178,877.

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------|--------------|----------------|
| 2021 | 50,031 | 2,829 | 52,860 |
| 2022 | 50,885 | 1,975 | 52,860 |
| 2023 | 51,754 | 1,106 | 52,860 |
| 2024 | <u>26,207</u> | <u>223</u> | <u>26,430</u> |
| Total | <u>178,877</u> | <u>6,133</u> | <u>185,010</u> |

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

G. Long-Term Debt (continued)

During the current fiscal year, the City refinanced the 2000 Water and Wastewater Revenue Bonds into a new bond called 2018 Wastewater Revenue Refunding. The original proceeds were used for wastewater pipe improvements and other related capital improvements. The new proceeds were used to expand the financing to construct a new lift station and replace wastewater lines on South McHenry. Payments are due semi-annual installments, ranging from \$142,082.33 to \$195,348.90 through 2033 with interest of 3.27%. The principal amounts unpaid at June 30, 2020 are \$467,936 and \$3,081,480.

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------|---------------|----------------|
| 2021 | 34,305 | 14,773 | 49,078 |
| 2022 | 38,635 | 13,574 | 52,209 |
| 2023 | 37,879 | 12,317 | 50,196 |
| 2024 | 37,099 | 11,085 | 48,184 |
| 2025 | 41,232 | 9,797 | 51,029 |
| 2026-2030 | 226,377 | 27,704 | 254,081 |
| 2031 | 52,409 | 857 | 53,266 |
| Total | <u>467,936</u> | <u>90,107</u> | <u>558,043</u> |

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------------|----------------|------------------|
| 2021 | 184,901 | 99,265 | 284,166 |
| 2022 | 190,997 | 93,169 | 284,166 |
| 2023 | 197,294 | 86,873 | 284,167 |
| 2024 | 203,797 | 80,368 | 284,165 |
| 2025 | 210,517 | 73,650 | 284,167 |
| 2026-2030 | 1,161,374 | 259,456 | 1,420,830 |
| 2031-2034 | 932,600 | 61,981 | 994,581 |
| Total | <u>3,081,480</u> | <u>754,762</u> | <u>3,836,242</u> |

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2020:

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

G. Long-Term Debt (continued)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Civic Center Lease | 2,975,591 | 0 | (90,409) | 2,885,182 | 92,695 |
| Long-term liabilities of Governmental Activities: | <u>2,975,591</u> | <u>0</u> | <u>(90,409)</u> | <u>2,885,182</u> | <u>92,695</u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Business-Type Activities: | | | | | |
| 1984 Safe Drinking Water Bond | 80,386 | 0 | (80,386) | 0 | 0 |
| Water Loan SRF-18 | 228,488 | 0 | (49,611) | 178,877 | 50,031 |
| Water and Wastewater Bonds | 502,829 | 0 | (34,894) | 467,935 | 34,305 |
| Sewer Bonds | <u>3,260,480</u> | <u>0</u> | <u>(179,000)</u> | <u>3,081,480</u> | <u>184,901</u> |
| Long-term liabilities of Business-Type activities: | <u>4,072,183</u> | <u>0</u> | <u>(343,891)</u> | <u>3,728,292</u> | <u>269,237</u> |

H. Payables And Other Liabilities

Payables at June 30, 2020 for the City's individual major funds and non-major funds in the aggregate are as follows:

| | <u>General</u> | <u>Transportation</u> | <u>Measure K</u> | <u>Non-major Govern- mental</u> | <u>Total</u> |
|-------------------------------------|----------------|-----------------------|------------------|---|----------------|
| Governmental Activities: | | | | | |
| Vendors | 304,928 | 250 | 84,826 | 28,524 | 418,528 |
| Other Payables | 38,127 | 0 | 0 | 0 | 38,127 |
| Developer Deposits | 43,962 | 0 | 0 | 0 | 43,962 |
| Total | <u>387,017</u> | <u>250</u> | <u>84,826</u> | <u>28,524</u> | <u>500,617</u> |

**CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

H. Payables And Other Liabilities (continued)

| | Sewer | Water | Storm Drain | Transit | Total |
|--------------------------------------|---------|---------|----------------|---------|---------|
| Business-Type Activities: | | | | | |
| Vendors | 578,096 | 45,571 | 4,076 | 19,856 | 647,599 |
| Customer Deposits | 0 | 51,498 | 0 | 0 | 51,498 |
| Other Payables | 0 | 3,375 | 0 | 1,276 | 4,651 |
| Total | 578,096 | 100,444 | 4,076 | 21,132 | 703,748 |

IV. OTHER INFORMATION

A. Risk Management

The City of Escalon participates with other public entities in a joint exercise of 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 \$250,000 of each workers' 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 participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) 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 3-4 times per 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.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

A. Risk Management (continued)

The financial position and results of operations for the CSJVRMA, as of June 30, 2019, are presented below:

| | |
|----------------------------------|--------------------|
| Total Assets | <u>128,442,162</u> |
| Total Liabilities | 109,661,346 |
| Total Net Position | <u>18,780,816</u> |
| | |
| Total Liabilities & Net Position | <u>128,442,162</u> |
| | |
| Total Revenues for Year | 53,005,963 |
| Total Expenses for Year | <u>52,250,549</u> |
| | |
| Net Income/Loss for Year | <u>755,414</u> |

At the termination of the joint powers agreement and after all claims have been settled, any excess deficit will be divided among the cities in accordance with its governing documents.

B. Commitments and Contingencies

The City of Escalon is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Employee Retirement Systems and Plans

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local

Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Employee Retirement Systems and Plans (Continued)

Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

| | Miscellaneous | | |
|---|-----------------------------|--------------------------------|--------------------------------|
| | Prior to October 1, 2011 | On or After October 1, 2011 | On or After January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3% @ 60 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years | 5 years | 5 years |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life |
| Retirement age | 50 | 50 | 52 |
| Monthly benefits, as a % of eligible compensation | 2% - 3% | 1.092% - 2.418% | 1.0% - 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 6.25% |
| Required employer contribution rates | 35.027% | 6.70% | 6.25% |

| | Safety | | |
|---|-----------------------------|--------------------------------|--------------------------------|
| | Prior to October 1, 2011 | On or After October 1, 2011 | On or After January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3% @ 50 | 2% @ 55 | 2% @ 57 |
| Benefit vesting schedule | 5 years | 5 years | 5 years |
| Benefit payments | Monthly for life | Monthly for life | Monthly for life |
| Retirement age | 50 | 50 | 50 |
| Monthly benefits, as a % of eligible compensation | 3% | 1.426% - 2.0% | 1.426% - 2.0% |
| Required employee contribution rates | 9.00% | 7.00% | 9.50% |
| Required employer contribution rates | 34.850% | 11.53% | 9.50% |

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contributions rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following 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 that year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between actuarially determined rate and the contribution rate of employees.

On August 15, 2011, the City approved a second tier to the PERS plan. The new provisions state that employees hired after October 1, 2011 will have different contribution rates. Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) implemented new benefit formulas, final compensation period, and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Employee Retirement Systems and Plans (Continued)

For the year ended June 30, 2020, the contribution recognized as part of pension expense for each Plan were as follows:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|--------------------------|----------------------|---------------|
| Contributions - employer | \$ 119,358 | \$ 110,460 |
| Lump Sum Contributions | 319,130 | 120,466 |

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

As of June 30, 2020, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

| | <u>Proportionate Share of Net Pension Liability</u> |
|-----------------------------|---|
| Miscellaneous | \$ 3,863,076 |
| Safety | <u>2,006,487</u> |
| Total Net Pension Liability | <u>\$ 5,869,563</u> |

The Local Government's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as on 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 Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|------------------------------|----------------------|-----------------|-----------------|
| Proportion - June 30, 2019 | 0.09639% | 0.03214% | 0.05727% |
| Proportion - June 30, 2020 | 0.09647% | 0.03214% | 0.05728% |
| Change - Increase/(Decrease) | <u>0.00008%</u> | <u>0.00000%</u> | <u>0.00001%</u> |

Note: Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion percentage and the safety proportion percentage.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Employee Retirement Systems and Plans (Continued)

At June 30, 2019, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| | <u> </u> | <u> </u> |
| Change of Assumptions | \$ 266,453 | \$ 81,350 |
| Differences Between Expected and Actual Experiences | 399,313 | 20,788 |
| Differences Between Projected and Actual | | |
| Investment Earnings | 0 | 95,141 |
| Differences Between Employer's Contributions and | | |
| Proportionate Share of Contributions | 0 | 514,606 |
| Change in Employer's Proportion | 19,925 | 102,599 |
| Pension Contributions Made Subsequent to Measurement Date | 229,818 | 0 |
| | <u>\$ 915,509</u> | <u>\$ 814,484</u> |

\$915,509 reported as deferred outflows of resources relation 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 of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Fiscal Year Ending June 30:</u> | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|------------------------------------|----------------------|---------------|---------------------|
| 2021 | \$ 61,162 | \$ 71,232 | \$ 132,394 |
| 2022 | (183,904) | (67,057) | (250,961) |
| 2023 | (20,094) | (9,155) | (29,249) |
| 2024 | 13,648 | 5,371 | 19,019 |
| 2025 | - | - | - |
| Thereafter | - | - | - |
| | <u>\$ (129,188)</u> | <u>\$ 391</u> | <u>\$ (128,797)</u> |

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Employee Retirement Systems and Plans (Continued)

Actuarial Assumptions – The total pension liabilities was determined by rolling forward the total pension liability determined in the June 30, 2018 actuarial accounting valuations to June 30, 2019. The June 30, 2019, total pension liability was based on the following actuarial methods and assumptions:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varied by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS' membership data for all funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until purchasing power protection allowance floor on power applies, 2.50% thereafter |

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.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all 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 of 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

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

C. Employee Retirement Systems and Plans (Continued)

administrative expenses. The expected real rates of return by asset class are as followed:

| Asset Class(1) | New Strategic Allocation | Real Return Years 1 - 10 (2) | Real Return Years 11+ (3) |
|---------------------|--------------------------|------------------------------|---------------------------|
| Global Equity | 50.0% | 4.90% | 5.98% |
| Global Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Sensitive | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |

- (1) In 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.
- (2) An expected inflation of 2.00% 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 Local Government’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government’s proportionate share of the net pension 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:

| Employer's Net Pension Liability/(Asset) | Discount Rate -1% 6.15% | Current Discount Rate 7.15% | Discount Rate +1% 8.15% |
|--|----------------------------|--------------------------------|----------------------------|
| Miscellaneous | 5,477,953 | 3,863,076 | 2,530,110 |
| Safety | 3,086,887 | 2,006,487 | 1,120,729 |
| Total | 8,564,840 | 5,869,563 | 3,650,839 |

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF ESCALON
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS
JUNE 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability | 0.0657% | 0.0668% | 0.0754% | 0.0821% | 0.0591% | 0.05792% |
| Proportion share of the net pension liability | \$ 8,014,555 | \$ 3,632,713 | \$ 3,728,981 | \$ 3,334,984 | \$ 2,366,853 | \$ 2,613,459 |
| Covered - employee payroll | \$ 2,595,036 | \$ 2,532,613 | \$ 2,738,104 | \$ 2,405,712 | \$ 1,004,378 | \$ 986,220 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 308.84% | 143.44% | 136.19% | 138.63% | 235.65% | 265.00% |
| Plan's fiduciary net position | \$ 8,014,555 | \$ 7,643,821 | \$ 8,345,894 | \$ 7,566,692 | \$ 6,141,333 | \$ 6,302,141 |
| Plan fiduciary net position as a percentage of the total pension liability | 67.82% | 67.79% | 69.12% | 69.41% | 72.18% | 75.80% |

Notes to Schedule:

Change in assumptions. In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CITY OF ESCALON
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SAFETY
JUNE 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Proportion of the net pension liability | 0.0348% | 0.0336% | 0.0337% | 0.0473% | 0.0341% | 0.03961% |
| Proportion share of the net pension liability | \$ 1,993,679 | \$ 1,885,853 | \$ 1,917,754 | \$ 1,702,901 | \$ 1,402,956 | \$ 1,632,087 |
| Covered - employee payroll | \$ 1,375,515 | \$ 1,275,791 | \$ 1,224,683 | \$ 1,130,445 | \$ 662,916 | \$ 705,770 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 144.94% | 147.82% | 156.59% | 150.64% | 211.63% | 231.25% |
| Plan's fiduciary net position | \$ 6,171,262 | \$ 5,530,807 | \$ 5,212,273 | \$ 5,212,273 | \$ 4,418,594 | \$ 4,948,867 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.58% | 74.57% | 73.10% | 72.48% | 75.90% | 75.20% |

Notes to Schedule:

Benefit Changes. In 2016, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Change in assumptions. In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CITY OF ESCALON
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS
JUNE 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| Contractually required contribution (actuarially determined) | \$ 876,282 | \$ 789,561 | \$ 647,565 | \$ 546,477 | \$ 280,615 | \$ 203,824 |
| Contributions in relation to the actuarially determined contributions | (876,282) | (789,561) | (647,565) | (546,477) | (280,615) | (203,824) |
| Contribution deficiency (excess) | \$ (0) | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |
| Covered - employee payroll | \$ 2,595,036 | \$ 2,532,613 | \$ 2,738,104 | \$ 2,405,712 | \$ 1,004,378 | \$ 986,220 |
| | | | | | | |
| Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll | 33.77% | 31.18% | 23.65% | 22.72% | 27.94% | 20.67% |

Notes to Schedule:

Valuation Date: 6/30/2018 6/30/2017 6/30/2016 6/30/2015 6/30/2014 6/30/2013

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry age |
| Amortization method | Level Percentage of Payroll and Direct Rate Smoothing |
| Asset valuation method | Market Value |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expense, including inflation |

CITY OF ESCALON
SCHEDULE OF CONTRIBUTIONS - SAFETY
JUNE 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|-------------|-------------|
| Contractually required contribution (actuarially determined) | \$ 464,479 | \$ 397,737 | \$ 289,639 | \$ 256,790 | \$ 237,553 | \$ 241,124 |
| Contributions in relation to the actuarially determined contributions | (464,479) | (397,737) | (289,639) | (256,790) | (237,553) | (241,124) |
| Contribution deficiency (excess) | \$ (0) | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |
| Covered - employee payroll | \$ 1,375,515 | \$ 1,275,791 | \$ 1,224,683 | \$ 1,130,445 | \$ 662,916 | \$ 705,770 |
| | | | | | | |
| Contributions as a percentage of covered-employee payroll | 33.77% | 31.18% | 23.65% | 22.72% | 35.83% | 34.16% |
| percentage of covered-employee payroll | | | | | | |

Notes to Schedule:

Valuation Date: 6/30/2018 6/30/2017 6/30/2016 6/30/2015 6/30/2014 6/30/2013

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry age |
| Amortization method | Level Percentage of Payroll and Direct Rate Smoothing |
| Asset valuation method | Market Value |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.50%, net of pension plan investment and administrative expense, including inflation |

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Police Department Fees - To account for funds received from developer fees, to be used to finance police facilities upgrades to serve the growth anticipated in the community.

Public Works - To account for funds received from developer fees collected to mitigate the additional impact on the City's public works departments as a result of the anticipated growth in the community.

Park Fund - To account for park development fees used for acquisition, improvement, and expansion of public parks and playgrounds.

Planning Fee DIF - To account for monies received and expended by the City under the Development Initiatives Fund as a component under OTELP to provide participatory planning process expressed by the community.

CDBG - HUD - To account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.

In-Lieu Low Income Housing Program – To account for monies received and expended by the City to support for affordable housing.

Recreation Fund - To account for funds received from user fees, developer fees, and facility lease proceeds for the City's recreation programs.

Library Fees Fund- To account for the special sales tax surcharge fee collected and used for additional funding of the libraries.

RTIF Fund - To account for monies received and expended by the City under the Regional Transportation Impact Fee program.

SLESF Fund – Federal Special Law Enforcement Services Fund to assist local agencies in acquiring equipment, technology and police services.

Auto Theft Fund - To account for funds received from the San Joaquin County District Attorney's Office designated for the deterring and investigating of auto theft crimes.

Gas Tax Funds- To account for funds received from the State from gas taxes collected on a per gallon basis. These funds are used for street construction and street maintenance.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Traffic Safety Fund - To account for funds received from fines from Vehicle Code violations, to be used for traffic safety, but exclusive of compensation of traffic or other police officers.

Traffic Congestion Fund - To account for monies received and expended by the City to fund projects to minimize traffic congestion.

Lighting and Landscaping District - To account for the money received from the Sunrise Terrace Lighting and Landscape District, Belle Terra Estates, and Westwood Country Estates, for special residential maintenance projects.

Transit Security Fund - To account for money received and expended by the City under the California Transit Security Grant Program.

Capital Project Fund

St John at BNSF Fund - To account for money received and expended by the City for the Street improvements at St John Street.

Debt Services

Civic/COMM Center - To account for monies for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the Civic Community Center construction project.

**CITY OF ESCALON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

| | Special Revenue | | | |
|--|--|---|-------------------------------|-----------------------------------|
| | Police Dept Fees Fund | Public Works Fees Fund | Park Fees Fund | Planning Fees Fund |
| Assets | | | | |
| Cash And Investments | 78,633 | 91,836 | 144,213 | 12,541 |
| Cash with Fiscal Agent | 0 | 0 | 0 | 0 |
| Accounts Receivable | 156 | 186 | 74 | 26 |
| Loans Receivable | 0 | 0 | 0 | 0 |
| Due From Other Funds | 0 | 311,130 | 0 | 0 |
| Total Assets | <u>78,789</u> | <u>403,152</u> | <u>144,287</u> | <u>12,567</u> |
| Liabilities And Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | 0 | 0 | 14,557 | 0 |
| Compensated Absences | 0 | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 |
| Loans Payable | 0 | 0 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 | 0 |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>14,557</u> | <u>0</u> |
| Fund Balances | | | | |
| Nonspendable | 0 | 0 | 0 | 0 |
| Restricted | 78,789 | 0 | 0 | 0 |
| Committed | 0 | 403,152 | 129,730 | 12,567 |
| Assigned | 0 | 0 | 0 | 0 |
| Unassigned | 0 | 0 | 0 | 0 |
| Total Fund Balances | <u>78,789</u> | <u>403,152</u> | <u>129,730</u> | <u>12,567</u> |
| Total Liabilities And Fund Balances | <u>78,789</u> | <u>403,152</u> | <u>144,287</u> | <u>12,567</u> |

Special Revenue

| In-Lieu Low Income Housing Program | Recreation Fund | Library Fund | RTIF Fund | SLESF Fund | Auto Theft Fund |
|---|----------------------------|-------------------------|----------------------|-----------------------|--------------------------------|
| 46,681 | 184,548 | 11 | 343,991 | 210,281 | 14,445 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 91 | 476 | 3 | 707 | 442 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>829,680</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>876,452</u> | <u>185,024</u> | <u>14</u> | <u>344,698</u> | <u>210,723</u> | <u>14,445</u> |
| 0 | 0 | 0 | 9,275 | 3,173 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>158,768</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>0</u> | <u>0</u> | <u>158,768</u> | <u>9,275</u> | <u>3,173</u> | <u>0</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 876,452 | 0 | 0 | 335,423 | 207,550 | 14,445 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 185,024 | 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>(158,754)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>876,452</u> | <u>185,024</u> | <u>(158,754)</u> | <u>335,423</u> | <u>207,550</u> | <u>14,445</u> |
| <u>876,452</u> | <u>185,024</u> | <u>14</u> | <u>344,698</u> | <u>210,723</u> | <u>14,445</u> |

**CITY OF ESCALON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

Special Revenue

| | Lighting Landscape District Fund | Gas Tax Funds | Traffic Safety Fund | Traffic Congestion Fund | CDBG Comm Dev Grant |
|--|---|------------------------------|------------------------------------|--|------------------------------------|
| Assets | | | | | |
| Cash And Investments | 56,203 | 1,048,748 | 24,229 | 91,352 | 0 |
| Cash with Fiscal Agent | 0 | 0 | 0 | 0 | 0 |
| Accounts Receivable | 116 | 11,925 | 1,008 | 191 | 0 |
| Loans Receivable | 0 | 0 | 0 | 0 | 0 |
| Due From Other Funds | 0 | 0 | 0 | 0 | 0 |
| Total Assets | <u>56,319</u> | <u>1,060,673</u> | <u>25,237</u> | <u>91,543</u> | <u>0</u> |
| Liabilities And Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 769 | 750 | 0 | 0 | 0 |
| Compensated Absences | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 | 0 |
| Loans Payable | 0 | 0 | 0 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | <u>769</u> | <u>750</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund Balances | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 0 |
| Restricted | 55,550 | 1,059,923 | 25,237 | 91,543 | 0 |
| Committed | 0 | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 | 0 |
| Unassigned | 0 | 0 | 0 | 0 | 0 |
| Total Fund Balances | <u>55,550</u> | <u>1,059,923</u> | <u>25,237</u> | <u>91,543</u> | <u>0</u> |
| Total Liabilities And Fund Balances | <u>56,319</u> | <u>1,060,673</u> | <u>25,237</u> | <u>91,543</u> | <u>0</u> |

Capital Project Debt Service

| St John At BNSF Fund | Civic Center Debt Service | Total Non-Major Funds | |
|-------------------------------------|--|--------------------------------------|------------------|
| | | 2020 | 2019 |
| 8,506 | 0 | 2,356,218 | 2,219,707 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 15,401 | 9,741 |
| 0 | 0 | 0 | 0 |
| 0 | 2,885,542 | 4,026,352 | 4,099,454 |
| <u>8,506</u> | <u>2,885,542</u> | <u>6,397,971</u> | <u>6,328,902</u> |
| 0 | 0 | 28,524 | 10,245 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 2,885,542 | 2,885,542 | 2,975,951 |
| 0 | 0 | 158,768 | 160,318 |
| 0 | 2,885,542 | 3,072,834 | 3,146,514 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 2,744,912 | 2,493,828 |
| 0 | 0 | 545,449 | 577,203 |
| 8,506 | 0 | 193,530 | 271,668 |
| 0 | 0 | (158,754) | (160,311) |
| <u>8,506</u> | <u>0</u> | <u>3,325,137</u> | <u>3,182,388</u> |
| <u>8,506</u> | <u>2,885,542</u> | <u>6,397,971</u> | <u>6,328,902</u> |

**CITY OF ESCALON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

Special Revenue

| | Police Dept Fees Fund | Public Works Fee Fund | Park Fee Fund | Planning Fees Fund |
|---|--|--|------------------------------|-----------------------------------|
| Revenues | | | | |
| Investment Earnings | 1,965 | 8,542 | 4,800 | 396 |
| Intergovernmental | 0 | 0 | 0 | 0 |
| Property Taxes | 0 | 0 | 0 | 0 |
| Other Taxes | 0 | 0 | 0 | 0 |
| Impact Fees | 25,452 | 12,033 | 77,506 | 0 |
| Fines And Forfeitures | 0 | 0 | 0 | 0 |
| Licenses And Permits | 0 | 0 | 0 | 0 |
| Service Charges And Miscellaneous | 0 | 0 | 40,099 | 0 |
| Total Revenues | <u>27,417</u> | <u>20,575</u> | <u>122,405</u> | <u>396</u> |
| Expenditures | | | | |
| General Government | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 0 |
| Public Works | 0 | 0 | 0 | 0 |
| Community Development | 0 | 0 | 0 | 0 |
| Culture And Leisure | 0 | 0 | 45,024 | 0 |
| Debt Service | | | | |
| Principal | 0 | 0 | 0 | 0 |
| Interest & Other Charges | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 349,753 | 0 |
| Total Expenditures | <u>0</u> | <u>0</u> | <u>394,777</u> | <u>0</u> |
| Excess(Deficiency) Of Revenues Over Expenditures | <u>27,417</u> | <u>20,575</u> | <u>(272,372)</u> | <u>396</u> |
| Other Financing Sources (Uses) | | | | |
| Operating Transfers In | 0 | 0 | 219,647 | 0 |
| Operating Transfers Out | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>219,647</u> | <u>0</u> |
| Net Change In Fund Balances | 27,417 | 20,575 | (52,725) | 396 |
| Fund Balance - Beginning | <u>51,372</u> | <u>382,577</u> | <u>182,455</u> | <u>12,171</u> |
| Fund Balance - Ending | <u>78,789</u> | <u>403,152</u> | <u>129,730</u> | <u>12,567</u> |

Special Revenue

| | In-Lieu Low Income Housing Program | Recreation Fund | Library Fund | RTIF Fund | SLESF Fund | Auto Theft Fund |
|---|---|----------------------------|-------------------------|----------------------|-----------------------|--------------------------------|
| | 17,174 | 8,655 | 18 | 9,687 | 6,074 | 0 |
| | 0 | 0 | 0 | 0 | 155,948 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 77,506 | 1,539 | 22,261 | 0 | 0 |
| # | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 1,701 | 0 | 0 | 0 | 0 |
| | <u>17,174</u> | <u>87,862</u> | <u>1,557</u> | <u>31,948</u> | <u>162,022</u> | <u>0</u> |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 47,001 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>47,001</u> | <u>0</u> |
| | <u>17,174</u> | <u>87,862</u> | <u>1,557</u> | <u>31,948</u> | <u>115,021</u> | <u>0</u> |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>(166,000)</u> | <u>0</u> | <u>0</u> | <u>(61,000)</u> | <u>0</u> |
| | <u>0</u> | <u>(166,000)</u> | <u>0</u> | <u>0</u> | <u>(61,000)</u> | <u>0</u> |
| | 17,174 | (78,138) | 1,557 | 31,948 | 54,021 | 0 |
| | <u>859,278</u> | <u>263,162</u> | <u>(160,311)</u> | <u>303,475</u> | <u>153,529</u> | <u>14,445</u> |
| | <u>876,452</u> | <u>185,024</u> | <u>(158,754)</u> | <u>335,423</u> | <u>207,550</u> | <u>14,445</u> |

**CITY OF ESCALON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2019**

Special Revenue

| | Lighting Landscape District Fund | Gas Tax Funds | Traffic Safety Fund | Traffic Congestion Fund | CDBG Comm Dev Grant |
|---|---|------------------------------|------------------------------------|--|------------------------------------|
| Revenues | | | | | |
| Investment Earnings | 1,373 | 33,402 | 0 | 2,620 | 0 |
| Intergovernmental | 0 | 321,097 | 0 | 8,730 | 53,647 |
| Property Taxes | 0 | 0 | 0 | 0 | 0 |
| Other Taxes | 0 | 0 | 0 | 0 | 0 |
| Impact Fees | 0 | 0 | 0 | 0 | 0 |
| Fines And Forfeitures | 0 | 0 | 24,720 | 0 | 0 |
| Licenses And Permits | 0 | 0 | 0 | 0 | 0 |
| Service Charges And Miscellaneous | 89,826 | 0 | 0 | 0 | 0 |
| Total Revenues | 91,199 | 354,499 | 24,720 | 11,350 | 53,647 |
| Expenditures | | | | | |
| General Government | 0 | 0 | 0 | 0 | 0 |
| Public Safety | 0 | 0 | 0 | 0 | 0 |
| Public Works | 0 | 0 | 0 | 0 | 0 |
| Community Development | 85,228 | 0 | 0 | 0 | 0 |
| Culture And Leisure | 0 | 0 | 0 | 0 | 0 |
| Debt Service | | | | | |
| Principal | 0 | 0 | 0 | 0 | 0 |
| Interest & Other Charges | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 54,814 | 0 | 0 | 0 |
| Total Expenditures | 85,228 | 54,814 | 0 | 0 | 0 |
| Excess(Deficiency) Of Revenues Over Expenditures | 5,971 | 299,685 | 24,720 | 11,350 | 53,647 |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | (40,000) | (20,000) | 0 | (53,647) |
| Total Other Financing Sources (Uses) | 0 | (40,000) | (20,000) | 0 | (53,647) |
| Net Change In Fund Balances | 5,971 | 259,685 | 4,720 | 11,350 | 0 |
| Fund Balance - Beginning | 49,579 | 800,238 | 20,517 | 80,193 | 0 |
| Fund Balance - Ending | 55,550 | 1,059,923 | 25,237 | 91,543 | 0 |

Capital Project Debt Service

| St John At BNSF Fund | Civic Center Debt Service | Restated | |
|----------------------------|---------------------------------|-------------------------------------|-------------------------|
| | | Total Non-Major Funds 2020 | 2019 |
| 0 | 0 | 94,706 | 90,583 |
| 0 | 0 | 539,422 | 460,161 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 216,297 | 277,985 |
| 0 | 0 | 24,720 | |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 131,626 | 105,797 |
| <u>0</u> | <u>0</u> | <u>1,006,771</u> | <u>934,526</u> |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 47,001 | 8,833 |
| 0 | 0 | 0 | 0 |
| 0 | 1,385 | 86,613 | 79,204 |
| 0 | 0 | 45,024 | 17,686 |
| 0 | 90,409 | 90,409 | 88,134 |
| 0 | 73,367 | 73,367 | 75,642 |
| 0 | 0 | 404,567 | 74,206 |
| <u>0</u> | <u>165,161</u> | <u>746,981</u> | <u>343,705</u> |
| <u>0</u> | <u>(165,161)</u> | <u>259,790</u> | <u>590,821</u> |
| 0 | 165,161 | 384,808 | 165,196 |
| <u>0</u> | <u>0</u> | <u>(340,647)</u> | <u>(292,202)</u> |
| <u>0</u> | <u>165,161</u> | <u>44,161</u> | <u>(127,006)</u> |
| 0 | 0 | 303,951 | 463,815 |
| <u>8,506</u> | <u>0</u> | <u>3,021,186</u> | <u>2,557,371</u> |
| <u><u>8,506</u></u> | <u><u>0</u></u> | <u><u>3,325,137</u></u> | <u><u>3,021,186</u></u> |

OTHER REPORTS

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

To The City Council
City of Escalon
State of 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Escalon, State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Escalon, State of California's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Escalon, State of California's internal control over financial reporting to determine the 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 of Escalon, State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Escalon, State of California's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Escalon, State of California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Clendenin Bird & Company, PC
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 4, 2020

**REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
BASED ON AN EXAMINATION OF GENERAL-PURPOSE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH THE
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT**

To The City Council
City of Escalon
State of California

We have audited the general-purpose financial statements of the City of Escalon, State of California for the year ended June 30, 2019, and have issued our report thereon dated November 20, 2020. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the California Administrative Code Section 6664 of the Transportation Development Act and the allocation instructions of the Stanislaus Area Association of Governments, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Escalon is responsible for the City's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations, noncompliance with which could have a material effect on the general-purpose financial statements of the City.

In our opinion the City of Escalon Transportation Development Act funds were accounted for in conformance with the applicable laws, rules and regulations of the Transportation Development Act and the allocation instructions of the Stanislaus Council of Governments.

Clendenin Bird & Company, PC
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 4, 2020