

CITY OF ESCALON
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

CITY OF ESCALON, CALIFORNIA

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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, 2021, 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.

Gallagher Gatewood, A Professional Accountancy Corporation
GALLAGHER GATEWOOD, A PROFESSIONAL ACCOUNTANCY CORPORATION

Modesto, California
March 15, 2022

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

This discussion and analysis provides a narrative introduction and readily understandable analytical overview of the City of Escalon’s (City) financial activities and performance for the fiscal year ended June 30, 2021. Summary reports showing comparison of current financial information with that of the previous year are included to enhance the clarity and usefulness of the reports. This report has been prepared following Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). To gain a broad perspective of the City and its financial activities, we encourage our readers to consider this information presented here in conjunction with the information that has been provided in the accompanying basic financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

Net position may serve over time as a useful indicator of a government’s financial position. At the end of the Fiscal Year (FY) 2020-21, the government wide net position of the City was \$60.8 million, an increase of \$.8 million (1.2%) over last fiscal year.

Highlights of increases or decreases in the government wide statements between fiscal years 2020-21 and 2019-20 are summarized in the following bullet points. Further information explaining these changes can be found throughout this section.

- The City’s assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at the close of the 2020-21 fiscal year by \$60.8 million (*Net Position*). Of this amount, \$7.4 million (*Unrestricted Net Position*) is designated to be used to meet ongoing obligations to citizens and creditors; \$7.1 million is restricted for capital projects, debt service, and legally segregated taxes and fees; and \$46.3 million is invested in capital assets.
- As of June 30, 2021, the governmental funds reported a combined Net Position of \$35.5 million, of which \$8.4 million is available to meet the City’s current and future needs (*Restricted, Committed, Assigned, and Unassigned balances*).
- As of June 30, 2021, the General Fund's fund balance was \$4.4 million of which \$.25 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, and equipment replacement, and the unassigned balance is \$.88 million.
- Governmental capital assets increased by \$ 1.8 million, net of depreciation, compared to prior year assets which includes improvements to the HVAC systems at the Police Building and the Library (\$350,000), lighting in the ballfields (\$700,000), street and sidewalk improvements (\$488,000) and various equipment additions and disposals. The increase is reflected in the net investment in capital assets.
- The City’s total long-term liabilities increased by \$5.0 million compared to the prior year primarily due to the new energy lease with Sterling National Bank and offset by water bond and other loan payments.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual financial report consists of the following components:

1. Independent Auditor’s report
2. Management’s Discussion and Analysis
3. The Basic Financial Statements which are divided into three parts.
 - a. The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These statements are designed to provide readers with a broad overview of the City’s finances in a manner similar to that of a private-sector business.
 - b. The Fund Financial Statements focus on individual parts of the City’s operation in more detail than the government-wide statements.
 - c. The Notes to Basic Financial Statements explains the information in the financial statements and provides more detailed data.
4. Required Supplemental Information which further explains and supports the data presented in the financial statements.
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

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 the financial status of the City as a whole. These statements present both long-term and short-term overall data and are comprised of:

The *Statement of Net Positions* presents information on all City assets and liabilities and deferred, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or declining.

The *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., uncollected revenues and earned but unused employee vacation and compensated time leave).

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).

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

- 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 provide more detailed information about the City’s most significant funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related regulations and legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- *Governmental Funds* are used to account for most of the City’s basic services 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 the balances left at the end of the fiscal year. Such information may be useful in determining available financial sources in the near future to finance the City’s programs. Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented in the Statement of Activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The 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.
- *Proprietary Funds* are used to account for services for which the City charges outside customers. Proprietary funds 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 assets and liabilities, current and long-term.
- *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Since the resources of Fiduciary Funds are not available to support the City’s own programs, they are not reflected in the Government-wide Financial Statements. The City of Escalon has no current Fiduciary Funds.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position - The following combined statement provides a two-year comparison of the financial results of governmental and business-type activities and net position of the City. The City’s net position may serve over time as a useful indicator of the City’s financial status.

City of Escalon
Net Position as of June 30, 2021
(in millions of dollars)

Net Position	Governmental		Business-type		Total		Total
	Activities		Activities				% Chg.
	2020	2021	2020	2021	2020	2021	2021
Cash and Investments	10.6	11.1	10.9	11.3	21.5	22.4	4.1%
Other Assets	1.0	0.9	0.7	0.8	1.7	1.7	-1.7%
Capital Assets	32.7	34.5	18.1	20.9	50.7	55.4	9.2%
TOTAL ASSETS	44.3	46.5	29.7	33.0	74.0	79.5	7.5%
Deferred Outflows Related to Pensions	0.7	0.7	0.2	0.2	0.9	0.9	0.0%
Long-term Liabilities outstanding	7.5	10.5	5.1	7.3	12.6	17.8	41.3%
Other Liabilities	0.7	0.6	0.8	0.4	1.5	1.0	-31.0%
TOTAL LIABILITIES	8.2	11.1	5.9	7.7	14.0	18.8	10.3%
Deferral Of Pension Expense	0.6	0.6	0.2	0.2	0.7	0.7	0.0%
Net Position:							
Invested in capital assets, net of Related debt	29.8	28.8	14.3	17.5	44.1	46.3	5.0%
Restricted	6.5	7.2	0.0	0.0	6.5	7.2	10.4%
Unrestricted	0.0	-0.5	9.4	7.8	9.4	7.3	-22.2%
TOTAL NET POSITION	36.2	35.5	23.8	25.3	60.0	60.8	-6.87%

Some columns may not total due to rounding

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

The City’s Government-wide Net Position as of June 30, 2021, comprised the following:

- Cash and investments comprised of \$22.4 million in the city treasury
- Government-Wide receivables were comprised of \$1.5 million of current receivables and \$180,000 of long-term receivables. Long-term receivables are related to property loan and inter-fund loans.
- Net capital assets of \$55.4 million include the City’s infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$7.2 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 \$9.9 million and is designated to be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions. While these assets are technically unrestricted, most of these assets are committed or assigned by prior Council action for a specific use.

The Change in Net Position, as expressed, as the change in revenues and expenditures through June 30, 2021, is further reflected in the Statement of Activities.

Net position is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents capital assets net of accumulated depreciation. Capital assets are used to provide services to citizens and are therefore not available for future spending.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. These restrictions may be imposed by creditors, grantors, and the laws and regulation of other governmental agencies. Net assets are restricted for capital projects, debt service, public safety, street maintenance and improvements and other specific purposes.

Unrestricted net position is the “residual” component of net position; that is, it is the portion of net position that does not meet the definitions of “invested in capital assets” or “restricted assets.” The unrestricted amount may be used to meet the City’s ongoing obligations that are not met by restricted assets.

**CITY OF ESCALON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

**City of Escalon
Statement of Activities
Fiscal year ended June 30, 2021
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for services	\$ 1.05	\$ 0.93	\$ 4.96	\$ 5.01	6.01	5.94
Operating grants and contributions	0.20	0.29	0.05	0.07	0.25	0.36
Capital Grants and Contributions	0.73	0.68	-	-	0.73	0.68
Total program revenues	1.97	1.90	5.01	5.08	6.98	6.98
Operating Revenues						
Taxes:						
Property taxes	1.86	1.95			1.86	1.95
Sales taxes	1.07	1.23			1.07	1.23
Other taxes	0.64	0.63			0.64	0.63
Interest Income	0.38	0.06	0.34	0.04	0.72	0.10
Other Revenue	-	-	-	-	-	-
Total Operating Revenues	3.94	3.87	0.34	0.04	4.29	3.91
Total Revenue	5.92	5.77	5.35	5.12	11.27	10.89
Expenses						
General government	0.33	0.19			0.33	0.19
Public Safety	3.03	3.51			3.03	3.51
Public Works	1.18	1.17			1.18	1.17
Community Development	0.74	0.71			0.74	0.71
Culture and Leisure	0.72	0.88			0.72	0.88
Interest & Fiscal Charges	0.13	0.09			0.13	0.09
Water			1.24	1.14	1.24	1.14
Sewer			2.87	1.99	2.87	1.99
Storm			0.27	0.23	0.27	0.23
Transit			0.17	0.20	0.17	0.20
Total Expenses	6.12	6.55	4.55	3.56	10.67	10.11
Changes in net position before transfers	(0.20)	(0.78)	0.80	1.56	0.60	0.78
Transfers			-	-	-	-
Change in net position	(0.20)	(0.78)	0.80	1.56	0.60	0.78
Net Position-Beginning	36.43	36.23	22.98	23.78	59.41	60.01
Prior Period Adjustment	-	-	-	-	-	-
Net Position, End of Year	\$ 36.23	\$ 35.45	\$ 23.78	\$ 25.34	\$ 60.01	\$ 60.79

Revenues

Revenues for the City totaled \$10.89 million for the year ending June 30, 2021. Total governmental program revenues had a decrease of \$70,000 or 4% from the previous year. The decrease is primarily to the impact of COVID 19 requirements on facility rentals and recreation programs. Total business-type activities revenues experienced a minor increase in revenues of \$70,000 or 2%. Both segments experienced revenue decreases from lower interest rates.

Expenses

Expenses for the City totaled \$10.11 million for the year ending June 30, 2021. Governmental activities incurred \$6.55 million of expenses while business-type activities incurred \$3.56 million. Of the Governmental Activities, the increased expenditures from prior fiscal year were in Public Safety with nearly all other departments showing spending reductions.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

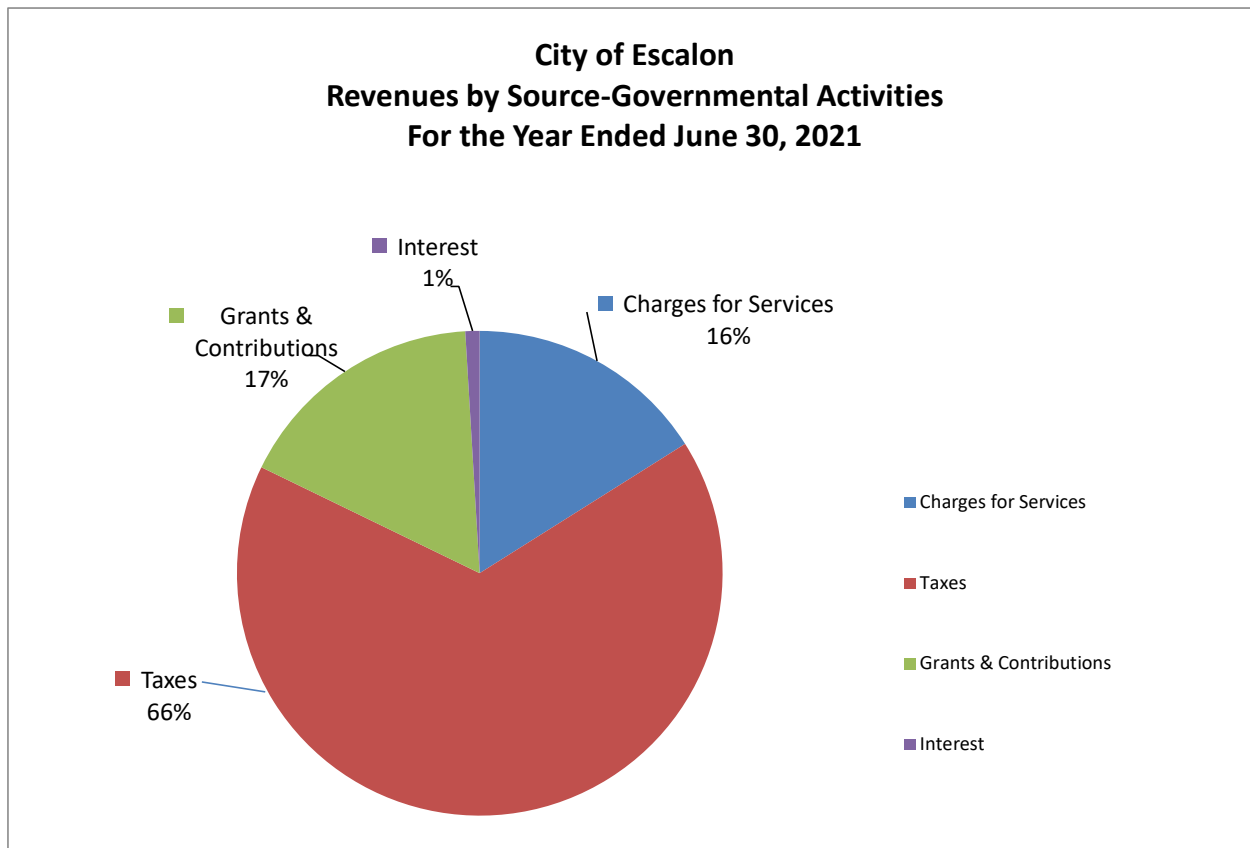
Governmental Activities

Governmental Activities represent the core services provided to the citizens and include public safety, public works, development services, culture and leisure and general government services.

Total governmental activities revenues of \$5.77 million were less than the prior fiscal year by \$148,200 or 3% due to interest income from low interest rates offset by normal property and sales tax increases in fiscal year 2020-21. The table that follows shows the source of revenue while the chart shows the percentage of each revenue type.

**City of Escalon
Revenues by Source
Governmental Activities
For the Year Ended June 30, 2021**

Revenues Source	Revenue	% of Total
Charges for services	\$ 925,166	16.03%
Total grants and contributions	971,952	16.84%
Property taxes	1,947,860	33.75%
Sales Tax	1,225,167	21.23%
Other tax and franchise	640,394	11.09%
Investment earnings	61,703	1.07%
Total	\$ 5,772,242	100.00%

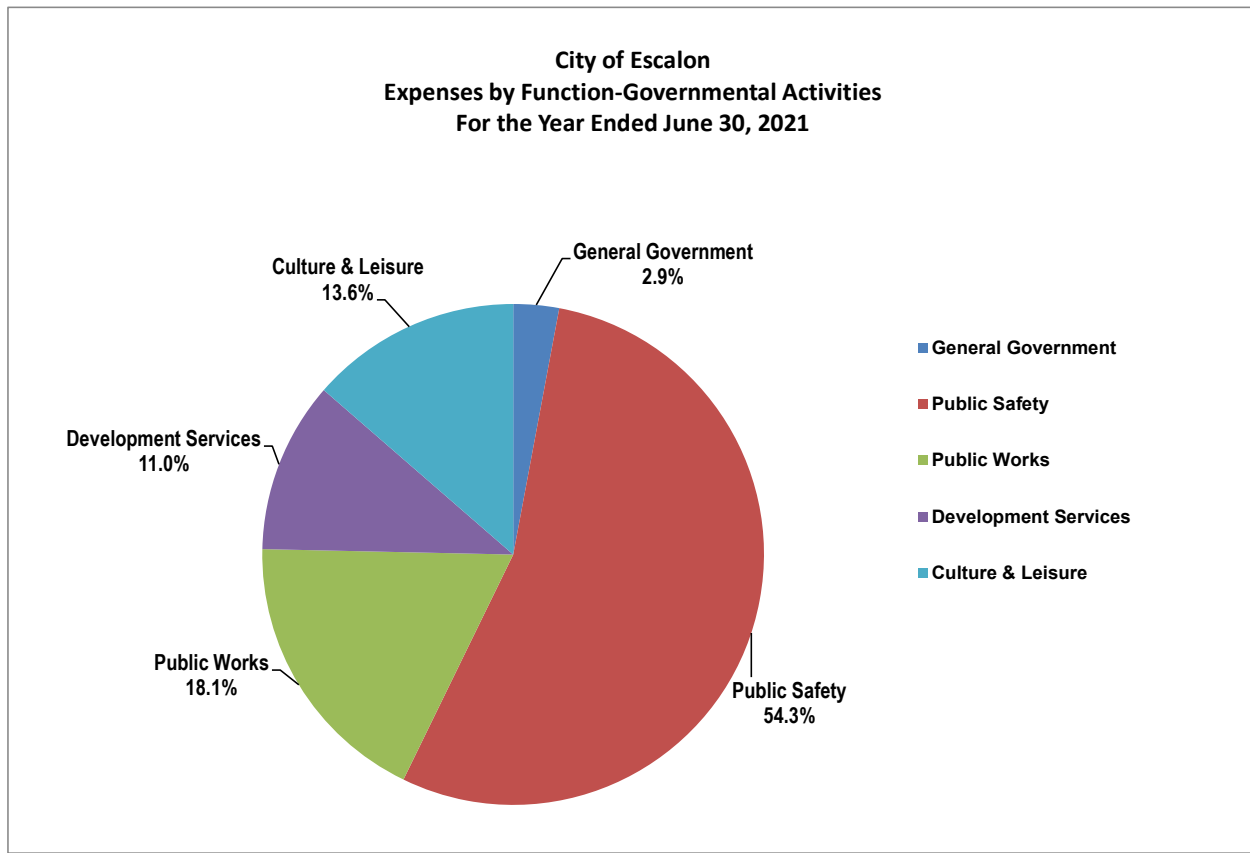


**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Total governmental activity expenditures for the fiscal year were \$6.55 million. Public Safety accounts for 53.54% of the core services expenditures which are greater than the prior fiscal year by \$474,000 primarily due to the one-time payment of \$500,000 to CalPERS. This payment was made from the funds designated for CalPERS to assist in offsetting future unfunded liabilities. The table that follows shows the expenditure in each of the departments and the chart reflects the percentage of each service.

**City of Escalon
Program Expenditures
Governmental Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	% of Total
General government	\$ 190,003	2.90%
Public safety	3,506,472	53.54%
Public works	1,172,233	17.90%
Development Services	713,910	10.90%
Cultural and leisure	879,665	13.43%
Interest and fiscal charges	86,713	1.32%
Total	\$ 6,548,996	100.00%



**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Business-type Activities

Operating revenues of the City’s business-type activities exceeded operating expenditures by \$1.52 million as shown below. A significant expenditure reduction of \$881,000 from the prior fiscal year is reflected in sewer services. For the prior fiscal year, expenses included the cost for both the 2018 and 2019 sludge removals and the Wastewater Treatment Plant study, resulting in a large decrease in expenditures. The Wastewater treatment plant also experienced reduce cost in pond treatment, as well as pond and aerator maintenance. Business-type activities ended the year with a Net Position of \$25.34 million, an increase of 7% over the prior fiscal year.

**Changes in Business-Type Activities by Program
Fiscal Year Ended June 30, 2020
(in millions of dollars)**

Net Revenue (excludes non-operating & interest)	2020	2021
Water Services	\$ 0.61	\$ 0.79
Sewer -Industrial Services	(0.31)	0.43
Sewer -Domestic Services	0.34	0.44
Total Sewer	0.03	0.87
Storm Drain Services	(0.07)	(0.02)
Transit Services	(0.11)	(0.12)
Total Business-type Activities	\$ 0.46	\$ 1.52

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

The City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. This analysis should be read in conjunction with fund statements that follow this discussion. The focus of the City’s *Governmental Fund* is to provide information on near-term inflows, outflows, and balances of spending resources.

GASB Statement No. 54, *Fund Balance reporting and Governmental Fund Type definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement provides fund balance categories and classifications as non-spendable, restricted, committed, assigned or unassigned. Detailed information regarding the fund balance classifications are found in Note 1 in the *Notes to Basic Financial Statements*.

Change in governmental fund balance is calculated as revenues and transfers in minus expenditures and transfers out. On June 30, 2021, the City’s governmental funds reported combined fund balances of \$8.68 million, a decrease of \$2.45 million or 22% compared with the prior fiscal year. This decrease is due to capital outlay expenditures for the Energy Project of \$2.56 million that is expected to provide many years of energy cost reductions. The General Fund and all other funds had positive fund balances except for the Transit Fund which is dependent on reimbursable grant funds and the City Hall Fees fund which is repaying other Impact Fee Funds for the purchase and improvements of a building in both 2011 and 2013.

**CITY OF ESCALON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

General Fund

General Fund revenues increased by \$236 thousand or 6% compared to fiscal year-end 2020. Sales tax increased 15%, and Property taxes increased by 5%. General Fund expenditures of \$4.8 million are an increase of almost \$1 million or (26 %) over prior year expenditures of \$3.8 million. The increase in expenses was primarily in Public Safety, which included the \$500,000 payment to CalPERS along with increases in personnel services and vehicle repairs.

On June 30, 2021, the General Fund balance comprised \$ 0.25 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.

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 \$25.3 million on June 30, 2021. Proprietary operating revenues were \$4.9 million, and operating expenses were \$3.4 million in the fiscal year 2021.

Water Fund

The net position of the Water Fund is \$13.9 million. Approximately \$4.7 million of the Fund's net position was unrestricted at the fiscal year-end with net investment in capital assets of \$9.2 million.

The year's activities were \$1.8 million in operating revenues and \$ 1.1 million in operating expenses. Charges for services showed an increase of 15.0%, resulting from the schedule of rates adopted in 2019. Operating expenses decreased by 8% from the fiscal year 2020, with the largest decreases in emergency repairs, consultant cost for rate study and SB998 Water Disconnection policy implementation.

Sewer

The net position of the Sewer Fund is \$8.7 million for the current year. Operating revenues for the fiscal year 2021 were \$2.8 million, a slight decrease of \$0.03 million from the fiscal year 2020. The decline is a result of changes in industrial users discharges. Operating expenditures had an decrease from the fiscal year 2020 of 32%. For the fiscal year, 2020 expenses included the cost for both the 2018 and 2019 sludge removals and the Wastewater Treatment Plant study, resulting in a large decrease in expenditures. The Wastewater treatment plant also experienced reduce cost in pond treatment, as well as pond and aerator maintenance. A total of \$3.4 million of the fund's net position is invested in capital assets, with \$ 5.3 million unrestricted.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Storm Drain

The net position of the Storm Drain Fund is \$2.5 million for the current year. Operating revenues for the fiscal year 2021 were \$.18 million. Operating expenditures had a slight decrease from the fiscal year 2020. A total of \$2.1 million of the fund’s net position is invested in capital assets, with \$.36 million unrestricted.

Transit Fund

The net position of the Transit Fund is \$.13 million for the current year. The year’s activities were \$78,510 in operating revenues for the current year and \$196,888 in operating expenses. A total of \$ 0.12 million of the fund’s net position is vested in capital assets, with \$0.01 million unrestricted.

General Fund Budgetary Highlights

The General Fund's final amended budget totaled \$4.0 million in revenues and \$4.4 million in expenditures(including transfers in from other funds). At the end of the year, the total actual revenues of \$4.3 million exceeding the final amended budget. The actual total expenses of \$4.5 million are slightly higher than final budgeted expenditures. Included in the expenditures is the one-time \$500,000 payment from CalPERS reserve towards the future unfunded liability. With this removed from the expenditures the General Fund ended the year with a surplus of approximately \$160,000.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the City had \$55.4 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 \$34.5 million, and the Business-type activities had \$20.9 million invested in capital assets. The increase from the prior fiscal year of \$5 million, before depreciation, was due to the Energy Improvement Project that began in fiscal year 2020-21 and is expected to be complete by the end of the following fiscal year.

**Capital Assets
As of June 30, 2021
(In millions)**

	Governmental		Business-type		Total		Total % Chg
	Activities		Activities		2020	2021	
	2020	2021	2020	2021	2020	2021	2021
Land	9.9	9.9	4.8	4.8	14.7	14.7	0.00%
Infrastructure	23.6	24.2	19.3	19.6	43.0	43.8	1.96%
Construction in Progress	0.0	1.5	0.2	3.1	0.2	4.6	1996.41%
Buildings and Improvements	13.2	13.6	1.4	1.4	14.6	15.0	2.69%
Equipment	2.5	3.1	2.2	2.4	4.7	5.5	16.88%
Accumulated Depreciation	-16.6	-17.8	-9.8	-10.4	-26.5	-28.2	6.56%
TOTAL CAPITAL ASSETS	32.6	34.5	18.1	20.9	50.7	55.4	9.21%

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Major capital asset changes during the fiscal year 2021 include:

- *New HVAC unit for Public Works Corporation Yard*
- *Seven New HVAC units for Library*
- *HVAC System improvements to controls and system.*
- *Installation of LED Ballfield Lighting*
- *McHenry Avenue Sidewalk Rehabilitaiton*
- *Yosemite Avenue Sidewalk improvements*
- *Completion of Walnut Avenue street reconstruction including waterline improvements.*
- *Slurry Seal of Various Streets*
- *New infrastructure line inspection camera.*
- *Replacement of Industrial Flow Meter*
- *Multiple new Aquajet Aerators for the wastewater treatment plant*

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 \$5.68 million in long-term debt, \$4.82 million in net pension liability, and \$220,000 in compensated absences. At year-end, business-type funds had \$6 million in outstanding long-term debt, \$1.35 million in net pension liability, and \$58,000 in compensated absences. The overall long term debt increased from the prior fiscal year by \$5.4 million due to an equipment lease for the energy project.

**Long-Term Debt
June 30, 2021
(In millions)**

	Governmental Activities		Business-type Activities		Total		Total % Chg
	2020	2021	2020	2021	2020	2021	2021
Refunding Lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Capital Lease/SRF	2.89	2.79	0.18	0.13	3.07	2.92	-4.75%
Net Pension Liability	4.60	4.82	1.27	1.35	5.87	6.17	5.08%
Revenue Bonds	0.00	0.00	3.55	3.33	3.55	3.33	-6.20%
Equipment Lease	0.00	2.89	0.00	2.54	0.00	5.43	-
Compensated Absences	0.20	0.22	0.05	0.06	0.25	0.28	12.20%
TOTAL	7.68	10.72	5.06	7.41	12.74	18.13	42.34%

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.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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
7/1/2011	\$ 175,428			\$ 175,428
6/30/2013			\$ (1,645)	\$ 173,783
6/30/2014			\$ (11,569)	\$ 162,213
6/30/2015				\$ 162,213
6/30/2016				\$ 162,213
6/30/2017				\$ 162,213
6/30/2018				\$ 162,213
6/30/2019			\$ (1,895)	\$ 160,318
6/30/2020			\$ (1,550)	\$ 158,768
6/30/2021			\$ (964)	\$ 157,805

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 and is scheduled to be paid in full in FY 2021-22.

General Fund Funds to Industrial Sewer Operating Fund
Initial Date: June 2015 Maturity Date: June 2021

Date	Loan	Interest	Payment	Balance
6/30/2015	\$ 500,000			\$ 500,000
6/30/2016		\$ 2,160		\$ 502,160
6/30/2017		\$ 3,760	\$ (95,000)	\$ 410,920
6/30/2018		\$ 5,654	\$ (104,000)	\$ 312,574
6/30/2019		\$ 7,589	\$ (104,000)	\$ 216,163
6/30/2020		\$ 6,045	\$ (112,000)	\$ 110,208
6/30/2021		\$ 575	\$ (104,000)	\$ 6,783

The total due to the General Fund is \$164,588 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.

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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
11/1/2011	\$ 1,300,000			\$ 1,300,000
6/30/2013		\$ 3,991		\$ 1,303,991
1/31/2014	\$ 450,000			\$ 1,753,991
6/30/2014		\$ 4,358		\$ 1,758,349
6/30/2015		\$ 4,708	\$ (49,942)	\$ 1,713,114
6/30/2016		\$ 7,399	\$ (2,151)	\$ 1,718,362
6/30/2017		\$ 12,921	\$ (1,321)	\$ 1,729,961
6/30/2018		\$ 17,943		\$ 1,747,904
6/30/2019		\$ 42,439	\$ (4,604)	\$ 1,785,739
6/30/2020		\$ 34,536	\$ (7,028)	\$ 1,813,247
6/30/2021		\$ 9,465	\$ (4,284)	\$ 1,818,428

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.

Public Works Impact Fund to City Hall Impact Fund
Initial Date: June 2013 Maturity Date: June 2033

Date	Loan	Interest	Payment	Balance
1/31/2014	\$ 300,000	\$ 747		\$ 300,747
6/30/2015		\$ 807	\$ (8,562)	\$ 292,992
6/30/2016		\$ 1,265	\$ (368)	\$ 293,890
6/30/2017		\$ 2,210	\$ (226)	\$ 295,874
6/30/2018		\$ 4,044		\$ 299,918
6/30/2019		\$ 7,282	\$ (790)	\$ 306,410
6/30/2020		\$ 5,926	\$ (1,206)	\$ 311,130
6/30/2021		\$ 1,624	\$ (735)	\$ 312,019

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.

In Lieu Low Income Funds to City Hall Fund
Initial Date: June 2013 Maturity Date: June 2033

Date	Loan	Interest	Payment	Balance
1/31/2014	\$ 800,000			\$ 800,000
6/30/2014		\$ 1,992		\$ 801,992
6/30/2015		\$ 2,152	\$ (22,831)	\$ 781,313
6/30/2016		\$ 3,375	\$ (981)	\$ 783,707
6/30/2017		\$ 5,893	\$ (603)	\$ 788,997
6/30/2018		\$ 10,784		\$ 799,781
6/30/2019		\$ 19,419	\$ (2,106)	\$ 817,094
6/30/2020		\$ 15,803	\$ (3,216)	\$ 829,681
6/30/2021		\$ 4,331	\$ (1,960)	\$ 832,051

**CITY OF ESCALON
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

The City Hall Impact Fund has a total of \$2,962,498 in outstanding inter-fund loan balance.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

In preparing the budget for the fiscal year 2021-22, the City considered the following factors:

REVENUE

- Sales tax increase of 18% to reflect recovery from prior year lost revenue due to COVID-19 impacts.
- Property tax increase of 9% projected by the county.
- Grant funding increases from SB2 and ARPA funds.
- General Fund revenues overall budgeted increase of 16.5%.

EXPENDITURES

- Increase for Public Employee Retirement System (PERS) costs.
- Increase for personnel cost of administrative and police reorganizations (one and a half positions).
- Increase in planning for SB2 grant Municipal Service Review.
- Increase for police body and vehicle camera annual license.
- Strategic conservative approach continues when applying administrative charges to the Capital Improvement Projects.

The City’s annual budget of fiscal year 2021-22 general fund projects revenues to exceed expenditures by \$138,000 before CalPERS reserve spending of \$500,000. Total operational budgeted revenues and expenses for the fiscal year are budgeted at \$4.8 million and \$5.1 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.

The City’s budget may be viewed online at

<http://www.cityofescalon.org/cms/One.aspx?portalId=10745893&pageId=13052523>

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.

Financial reports are available on the City’s website at:

<http://www.cityofescalon.org/cms/One.aspx?portalId=10745893&pageId=13052411>

**CITY OF ESCALON
STATEMENTS OF NET POSITION
JUNE 30, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020

	Primary Government		Totals	
	Governmental Activities	Proprietary Activities	2021	2020
ASSETS				
Cash And Investments	11,095,090	11,279,397	22,374,487	21,514,085
Accounts Receivable	785,934	675,951	1,461,885	1,345,801
Loans Receivable	58,000	4,841	62,841	151,890
Bond Issue Cost	24,886	85,056	109,942	120,861
Sewer Fund Loan	6,784	0	6,784	110,208
Prepaid Expenses	30,358	0	30,358	0
Capital Assets (Net Of Accumulated Depreciation):				
Land	9,927,214	4,757,505	14,684,719	14,684,719
Construction In Progress	1,530,100	3,084,327	4,614,427	219,423
Buildings And Improvements	9,345,709	704,057	10,049,766	10,034,813
Equipment And Vehicles	1,127,109	574,438	1,701,547	1,017,115
Infrastructure	12,557,331	11,818,549	24,375,880	24,770,701
Total Assets	<u>46,488,515</u>	<u>32,984,121</u>	<u>79,472,636</u>	<u>73,969,616</u>
DEFERRED OUTFLOWS OF RESOURCES				
Current Pension Plan Contribution	<u>682,230</u>	<u>168,188</u>	<u>850,418</u>	<u>915,509</u>
LIABILITIES				
Accounts Payable And Other	309,557	165,844	475,401	1,069,502
Current Liabilities	101,130	63,303	164,433	136,384
Compensated Absences	220,414	58,385	278,799	248,792
Net Pension Liability	4,824,758	1,348,465	6,173,223	5,869,565
Long-Term Liabilities:				
Due Within One Year	162,868	340,253	503,121	361,932
Due In More Than One Year	<u>5,515,358</u>	<u>5,659,901</u>	<u>11,175,259</u>	<u>6,362,111</u>
Total Liabilities	<u>11,134,085</u>	<u>7,636,151</u>	<u>18,770,236</u>	<u>14,048,286</u>
DEFERRED INFLOWS OF RESOURCES				
Deferral Of Pension Expense	<u>579,327</u>	<u>179,484</u>	<u>758,811</u>	<u>814,484</u>
NET POSITION				
Invested In Capital Assets				
Net Of Related Debt	28,809,237	14,938,722	43,747,959	44,112,936
Restricted For:				
Capital Projects	8,534,998	0	8,534,998	8,060,328
Community Development Projects	(1,418,275)	0	(1,418,275)	(1,539,991)
Debt Service	0	0	0	0
Unrestricted	<u>(468,627)</u>	<u>10,397,952</u>	<u>9,929,325</u>	<u>9,389,082</u>
Total Net Position	<u>35,457,333</u>	<u>25,336,674</u>	<u>60,794,007</u>	<u>60,022,355</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	190,003
Public Safety	3,506,472
Public Works	1,172,233
Community Development	713,910
Culture And Leisure	879,665
Interest on Long-Term Debt	86,713
Total Governmental Activities	<u>6,548,996</u>
Business-Type Activities	
Water Services	1,142,555
Sewer Services	1,988,425
Storm Drain Services	232,613
Transit Services	196,888
Total Business-Type Activities	<u>3,560,481</u>
Total Primary Government	<u><u>10,109,477</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	
					2021	2020
224,507	92,332	0	126,836	0	126,836	(115,972)
91,602	195,167	0	(3,219,703)	0	(3,219,703)	(2,712,221)
56,956	0	684,453	(430,824)	0	(430,824)	(378,854)
328,764	0	0	(385,146)	0	(385,146)	(422,028)
223,337	0	0	(656,328)	0	(656,328)	(384,941)
0	0	0	(86,713)	0	(86,713)	(129,632)
<u>925,166</u>	<u>287,499</u>	<u>684,453</u>	<u>(4,651,878)</u>	<u>0</u>	<u>(4,651,878)</u>	<u>(4,143,648)</u>
1,931,549	0	0	0	788,994	788,994	605,329
2,853,907	0	0	0	865,482	865,482	31,836
212,043	0	0	0	(20,570)	(20,570)	(74,775)
6,313	72,197	0	0	(118,378)	(118,378)	(105,037)
<u>5,003,812</u>	<u>72,197</u>	<u>0</u>	<u>0</u>	<u>1,515,528</u>	<u>1,515,528</u>	<u>457,353</u>
<u>5,928,978</u>	<u>359,696</u>	<u>684,453</u>	<u>(4,651,878)</u>	<u>1,515,528</u>	<u>(3,136,350)</u>	<u>(3,686,295)</u>

General Revenues:

Taxes:						
Property Tax	1,947,860	0	1,947,860	1,859,434		
Sales Tax	1,225,167	0	1,225,167	1,070,958		
Motor Vehicle Tax	5,485	0	5,485	6,146		
Franchise Tax	263,386	0	263,386	257,586		
Other Taxes	371,523	0	371,523	371,550		
Investment Earnings	61,703	40,293	101,996	721,271		
Gain (Loss) On Sale Of Property	(7,415)	0	(7,415)	0		
Transfers	0	0	0	0		
Total General Revenues And Transfers	<u>3,867,709</u>	<u>40,293</u>	<u>3,908,002</u>	<u>4,286,945</u>		
Change In Net Position	(784,169)	1,555,821	771,652	600,650		
Net Postion - Beginning	36,241,502	23,780,853	60,022,355	59,421,705		
Prior Period Adjustment	0	0	0	0		
Net Postion - Beginning Adjusted	<u>36,241,502</u>	<u>23,780,853</u>	<u>60,022,355</u>	<u>59,421,705</u>		
Net Postion - Ending	<u>35,457,333</u>	<u>25,336,674</u>	<u>60,794,007</u>	<u>60,022,355</u>		

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
Assets			
Cash And Investments	4,203,567	1,816,448	1,513,570
Accounts Receivable	388,849	75,000	0
Loans Receivable	58,000	0	0
Due From Other Funds	157,805	0	1,818,428
Sewer Fund Loan	6,784	0	0
Prepaid Expenses	30,358	0	0
Total Assets	<u>4,845,363</u>	<u>1,891,448</u>	<u>3,331,998</u>
Liabilities			
Accounts Payable	295,477	1,704	0
Compensated Absences	0	0	0
Due To Other Funds	0	0	0
Loans Payable	0	0	0
Other Liabilities	101,130	0	0
Total Liabilities	<u>396,607</u>	<u>1,704</u>	<u>0</u>
Fund Balances			
Nonspendable	252,947	0	0
Restricted	0	1,889,744	3,331,998
Committed	2,053,493	0	0
Assigned	1,264,149	0	0
Unassigned	878,167	0	0
Total Fund Balances	<u>4,448,756</u>	<u>1,889,744</u>	<u>3,331,998</u>
Total Liabilities And Fund Balances	<u>4,845,363</u>	<u>1,891,448</u>	<u>3,331,998</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds	
			2021	2020
956,914 (1)	2,604,592	11,095,090	10,615,339
320,132	0	1,953	785,934	762,910
0	0	0	58,000	143,000
0	0	3,937,199	5,913,432	5,998,367
0	0	0	6,784	110,208
0	0	0	30,358	0
<u>1,277,046 (</u>	<u>1)</u>	<u>6,543,744</u>	<u>17,889,598</u>	<u>17,629,824</u>
0	0	12,376	309,557	418,528
0	0	0	0	0
0	2,962,497	157,805	3,120,302	3,112,825
0	0	5,678,226	5,678,226	2,885,542
0	0	0	101,130	82,089
<u>0</u>	<u>2,962,497</u>	<u>5,848,407</u>	<u>9,209,215</u>	<u>6,498,984</u>
0	0	0	252,947	411,976
1,277,046	0	2,891,439	9,390,227	8,894,126
0	0	608,990	2,662,483	2,598,942
0	0	237,809	1,501,958	1,457,679
0 (2,962,498)	(3,042,901)	(5,127,232)	(2,231,883)
<u>1,277,046 (</u>	<u>2,962,498)</u>	<u>695,337</u>	<u>8,680,383</u>	<u>11,130,840</u>
<u>1,277,046 (</u>	<u>1)</u>	<u>6,543,744</u>	<u>17,889,598</u>	<u>17,629,824</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, 2021**

Total fund balances - governmental funds 8,680,383

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	1,530,100	
Infrastrutture net of \$11,575,754 accumulated depreciation	12,557,331	
Buildings and Improvements, net of \$4,212,932 accumulated depreciation	9,345,709	
Equipment and Vehicles, net of \$1,978,169 accumulated depreciation	<u>1,127,109</u>	
Total capital assets		34,487,463

Deferred Outflow of Resources 682,230

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	(2,793,130)	
Compensated absences	(220,414)	
Net Pension Liability	(4,824,758)	
Deferred Inflows of Resources	<u>(579,327)</u>	
Total long-term liabilities		(8,417,629)

Deferred Bond issuance cost are not current assets or financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet 24,886

Total net position - governmental activities 35,457,333

CITY OF ESCALON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
Revenues			
Property Tax	1,947,860	0	0
Sales Tax	1,225,167	0	0
Other Tax And Franchises	330,469	0	0
Licenses And Permits	226,552	0	0
Fines And Forfeitures	50,559	0	0
Investment Earnings	22,267	6,085	14,877
Intergovernmental	159,661	314,501	0
Impact Fees	0	0	7,261
Service Charges And Miscellaneous	338,248	0	0
Total Revenues	<u>4,300,783</u>	<u>320,586</u>	<u>22,138</u>
Expenditures			
Current			
General Government	0	0	0
Public Safety	3,281,708	0	0
Public Works	223,556	0	0
Community Development	567,084	0	0
Culture And Leisure	683,108	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	27,099	57,587	0
Total Expenditures	<u>4,782,555</u>	<u>57,587</u>	<u>0</u>
Excess (Deficiency) Of Revenues			
Over Expenditures	(481,772)	262,999	22,138
Other Financing Sources (Uses)			
Sale Of Property	0	0	0
Operating Transfers In	486,286	0	0
Operating Transfers Out	(166,261)	0	0
Total Other Financing Sources (Uses)	<u>320,025</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	(161,747)	262,999	22,138
Fund Balance - Beginning	<u>4,610,503</u>	<u>1,626,745</u>	<u>3,309,860</u>
Fund Balance- Ending	<u>4,448,756</u>	<u>1,889,744</u>	<u>3,331,998</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds	
			2021	2020
0	0	0	1,947,860	1,859,434
0	0	0	1,225,167	1,070,958
0	0	0	330,469	314,185
0	0	0	226,552	217,853
0	0	0	50,559	78,117
3,883	11	14,580	61,703	379,892
320,132	0	487,583	1,281,877	1,245,962
0	6,925	175,277	189,463	245,857
0	0	120,342	458,590	508,188
<u>324,015</u>	<u>6,936</u>	<u>797,782</u>	<u>5,772,240</u>	<u>5,920,446</u>
0	0	0	0	18,223
0	0	15,971	3,297,679	2,557,793
0	0	0	223,556	225,042
0	0	105,049	672,133	612,136
0	0	18,969	702,077	537,924
0	0	92,412	92,412	90,409
0	15,420	71,293	86,713	129,632
<u>259,578</u>	<u>0</u>	<u>2,803,863</u>	<u>3,148,127</u>	<u>700,123</u>
<u>259,578</u>	<u>15,420</u>	<u>3,107,557</u>	<u>8,222,697</u>	<u>4,871,282</u>
<u>64,437</u>	<u>(8,484)</u>	<u>(2,309,775)</u>	<u>(2,450,457)</u>	<u>1,049,164</u>
0	0	0	0	0
0	0	186,968	673,254	505,808
0	0	(506,993)	(673,254)	(505,808)
<u>0</u>	<u>0</u>	<u>(320,025)</u>	<u>0</u>	<u>0</u>
64,437	(8,484)	(2,629,800)	(2,450,457)	1,049,164
<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>1,277,046</u>	<u>(2,962,498)</u>	<u>695,337</u>	<u>8,680,383</u>	<u>11,130,840</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, 2021**

Net change in fund balances - total governmental funds (2,450,457)

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 capital outlays (\$3,148,127) exceeded depreciation expense (\$1,309,379) in the current period. 1,838,750

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase (decrease) net position. (1,985)

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. 92,412

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. (25,161)

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. (233,897)

Changes in net position of governmental activities (784,169)

**CITY OF ESCALON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2020 Actual
	Original	Final			
REVENUES					
Property Tax	1,830,641	1,830,641	1,947,860	117,219	1,859,434
Sales Tax	952,000	984,300	1,225,167	240,867	1,070,958
Other Tax And Franchise Fees	0	303,400	330,469	27,069	314,185
Licenses And Permits	125,000	218,950	226,552	7,602	217,853
Intergovernmental	0	98,500	159,661	61,161	42,866
Fines And Forfeitures	6,500	37,750	50,559	12,809	53,397
Investment Earnings	0	55,800	22,267	(33,533)	129,315
Service Charges And Miscellaneous	151,200	261,460	338,248	76,788	376,562
Total Revenues	<u>3,065,341</u>	<u>3,790,801</u>	<u>4,300,783</u>	<u>509,982</u>	<u>4,064,570</u>
EXPENDITURES					
General Government	19,301	9,593	0	(9,593)	18,223
Public Safety	2,965,349	3,454,699	3,281,708	(172,991)	2,510,792
Public Works	366,088	367,588	223,556	(144,032)	225,042
Community Development	595,506	575,506	567,084	(8,422)	525,523
Culture And Leisure	601,812	514,062	683,108	169,046	492,900
Capital Outlay	0	113,250	27,099	(86,151)	18,890
Total Expenditures	<u>4,548,056</u>	<u>5,034,698</u>	<u>4,782,555</u>	<u>(252,143)</u>	<u>3,791,370</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,482,715)</u>	<u>(1,243,897)</u>	<u>(481,772)</u>	<u>762,125</u>	<u>273,200</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	329,500	486,286	156,786	121,000
Transfers Out	0	165,778	(166,261)	(332,039)	(165,161)
Total Other Financing Sources And (Uses)	<u>0</u>	<u>495,278</u>	<u>320,025</u>	<u>(175,253)</u>	<u>(44,161)</u>
Net Change In Fund Balance	<u>(1,482,715)</u>	<u>(748,619)</u>	<u>(161,747)</u>	<u>586,872</u>	<u>229,039</u>
Fund Balance - Beginning	<u>4,610,503</u>	<u>4,610,503</u>	<u>4,610,503</u>	<u>0</u>	<u>4,381,464</u>
Fund Balance - Ending	<u>3,127,788</u>	<u>3,861,884</u>	<u>4,448,756</u>	<u>586,872</u>	<u>4,610,503</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021			Variance With Final Budget Over (Under)	2020 Actual
	Budgeted Amounts		Actual		
	Original	Final			
General Government					
Legislative	2,699	42,175	0	(42,175)	9,121
Management And Support	19,301	39,493	0	(39,493)	21,894
Total General Government	<u>22,000</u>	<u>81,668</u>	<u>0</u>	<u>(39,493)</u>	<u>31,015</u>
Public Safety					
Police	2,704,017	3,275,517	3,034,490	(241,027)	2,305,295
Street Lights	104,415	104,415	95,074	(9,341)	84,771
Animal Control	137,417	138,617	128,577	(10,040)	116,852
Code Enforcement	19,500	19,500	34,566	15,066	9,972
Total Public Safety	<u>2,965,349</u>	<u>3,538,049</u>	<u>3,292,707</u>	<u>(245,342)</u>	<u>2,516,890</u>
Public Works					
Street Maintenance (Trees)	31,598	31,598	24,650	(6,948)	23,617
Street Maintenance	334,490	335,990	198,906	(137,084)	201,425
Total Public Works	<u>366,088</u>	<u>367,588</u>	<u>223,556</u>	<u>(144,032)</u>	<u>225,042</u>
Community Development					
Planning	224,699	184,699	171,117	(13,582)	183,330
Building Regulation	180,450	200,450	207,350	6,900	164,859
Engineering	190,357	190,357	188,617	(1,740)	177,334
Total Community Development	<u>595,506</u>	<u>575,506</u>	<u>567,084</u>	<u>(8,422)</u>	<u>525,523</u>
Culture And Leisure					
Parks	151,418	151,418	157,272	5,854	140,898
Recreation	278,763	228,113	191,865	(36,248)	234,752
Library	64,176	64,176	144,576	80,400	45,254
Community Center	107,455	70,355	205,495	135,140	71,996
Total Culture And Leisure	<u>601,812</u>	<u>514,062</u>	<u>699,208</u>	<u>185,146</u>	<u>492,900</u>
Total General Fund	<u>4,550,755</u>	<u>5,076,873</u>	<u>4,782,555</u>	<u>(252,143)</u>	<u>3,791,370</u>

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2020 Actual
	Original	Final			
REVENUES					
Interest Income	3,000	3,000	6,085	3,085	47,684
Intergovernmental	300,000	314,500	314,501	1	354,481
Total Revenues	<u>303,000</u>	<u>317,500</u>	<u>320,586</u>	<u>3,086</u>	<u>402,165</u>
EXPENDITURES					
Supplies And Services	0	0	0	0	0
Capital Outlay	0	416,500	57,587	(358,913)	151,573
Total Expenditures	<u>0</u>	<u>416,500</u>	<u>57,587</u>	<u>(358,913)</u>	<u>151,573</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>303,000</u>	<u>(99,000)</u>	<u>262,999</u>	<u>361,999</u>	<u>250,592</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	303,000	(99,000)	262,999	361,999	250,592
Fund Balance - Beginning	<u>1,626,745</u>	<u>1,626,745</u>	<u>1,626,745</u>	<u>0</u>	<u>1,376,153</u>
Fund Balance - Ending	<u>1,929,745</u>	<u>1,527,745</u>	<u>1,889,744</u>	<u>361,999</u>	<u>1,626,745</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021			Variance With Final Budget Over (Under)	2020 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Interest Income	4,000	4,000	14,877	10,877	81,053
Impact Fees	10,000	10,000	7,261	(2,739)	18,285
Total Revenues	<u>14,000</u>	<u>14,000</u>	<u>22,138</u>	<u>8,138</u>	<u>99,338</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>14,000</u>	<u>14,000</u>	<u>22,138</u>	<u>8,138</u>	<u>99,338</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	14,000	14,000	22,138	8,138	99,338
Fund Balance - Beginning	<u>3,309,860</u>	<u>3,309,860</u>	<u>3,309,860</u>	<u>0</u>	<u>3,210,522</u>
Fund Balance - Ending	<u><u>3,323,860</u></u>	<u><u>3,323,860</u></u>	<u><u>3,331,998</u></u>	<u><u>8,138</u></u>	<u><u>3,309,860</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2020 Actual
	Original	Final			
REVENUES					
Interest Income	3,000	3,000	3,883	883	27,000
Intergovernmental	243,500	243,500	320,132	76,632	309,193
Miscellaneous Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>246,500</u>	<u>246,500</u>	<u>324,015</u>	<u>77,515</u>	<u>336,193</u>
EXPENDITURES					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>0</u>	<u>268,675</u>	<u>259,578</u>	<u>(9,097)</u>	<u>125,093</u>
Total Expenditures	<u>0</u>	<u>268,675</u>	<u>259,578</u>	<u>(9,097)</u>	<u>125,093</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>246,500</u>	<u>(22,175)</u>	<u>64,437</u>	<u>86,612</u>	<u>211,100</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	246,500	(22,175)	64,437	86,612	211,100
Fund Balance - Beginning	<u>1,212,609</u>	<u>1,212,609</u>	<u>1,212,609</u>	<u>0</u>	<u>1,001,509</u>
Fund Balance - Ending	<u>1,459,109</u>	<u>1,190,434</u>	<u>1,277,046</u>	<u>86,612</u>	<u>1,212,609</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	2021				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2020 Actual
	Original	Final			
REVENUES					
Interest Income	0	0	11	11	134
Impact Fees	<u>0</u>	<u>3,000</u>	<u>6,925</u>	<u>3,925</u>	<u>11,275</u>
Total Revenues	<u>0</u>	<u>3,000</u>	<u>6,936</u>	<u>3,936</u>	<u>11,409</u>
EXPENDITURES					
Supplies And Services	0	0	0	0	0
Interest	0	0	15,420	15,420	56,265
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>15,420</u>	<u>15,420</u>	<u>56,265</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>0</u>	<u>3,000</u>	<u>(8,484)</u>	<u>(11,484)</u>	<u>(44,856)</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	0	3,000	(8,484)	(11,484)	(44,856)
Fund Balance - Beginning	(2,954,014)	(2,954,014)	(2,954,014)	0	(2,909,158)
Fund Balance - Ending	<u>(2,954,014)</u>	<u>(2,951,014)</u>	<u>(2,962,498)</u>	<u>(11,484)</u>	<u>(2,954,014)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

Business-Type Activities-Enterprise Funds

	Sewer Fund	Water Fund	Storm Drain Fund	Transit Fund	Totals	
					2021	2020
Assets						
Cash And Investments	5,657,471	5,179,664	519,916	(77,654)	11,279,397	10,898,746
Accounts Receivable	233,367	347,627	0	94,957	675,951	582,891
Loan Receivable	4,841	0	0	0	4,841	8,890
Prepays	0	0	0	0	0	0
Fixed Assets	12,120,729	12,380,071	3,309,992	446,823	28,257,615	27,718,439
Accumulated Depreciation	(5,399,377)	(3,510,319)	(1,166,107)	(327,263)	(10,403,066)	(9,836,268)
Loan Fees	85,056	0	0	0	85,056	92,144
Work In Progress	985,942	2,098,385	0	0	3,084,327	193,952
Total Assets	<u>13,688,029</u>	<u>16,495,428</u>	<u>2,663,801</u>	<u>136,863</u>	<u>32,984,121</u>	<u>29,658,794</u>
Deferred Outflows Of Resources						
Current Pension Plan						
Contribution	<u>56,147</u>	<u>98,441</u>	<u>13,600</u>	<u>0</u>	<u>168,188</u>	<u>184,639</u>
Liabilities						
Accounts Payable	121,762	39,954	3,718	410	165,844	650,974
Customer Deposits	0	47,576	0	0	47,576	51,498
Compensated Absences	25,697	25,840	6,848	0	58,385	53,538
General Fund Loan	6,784	0	0	0	6,784	110,208
Other Liabilities	0	6,145	0	2,798	8,943	2,797
Net Pension Liability	536,063	671,919	140,483	0	1,348,465	1,271,717
Loan Payable	0	0	0	0	0	3,549,416
Lease Payable	928,757	1,612,159			2,540,916	
Bond Payable	<u>3,330,210</u>	<u>129,028</u>	<u>0</u>	<u>0</u>	<u>3,459,238</u>	<u>178,877</u>
Total Liabilities	<u>4,949,273</u>	<u>2,532,621</u>	<u>151,049</u>	<u>3,208</u>	<u>7,636,151</u>	<u>5,869,025</u>
Deferred Inflows Of Resources						
Deferral Of Pension Expense	<u>71,037</u>	<u>90,103</u>	<u>18,344</u>	<u>0</u>	<u>179,484</u>	<u>193,555</u>
Net Position						
Invested In Capital Assets, Net Of Related Debt	3,448,327	9,226,950	2,143,885	119,560	14,938,722	14,347,830
Restricted For Debt Service	0	0	0	0	0	0
Unrestricted	<u>5,275,539</u>	<u>4,744,195</u>	<u>364,123</u>	<u>14,095</u>	<u>10,397,952</u>	<u>9,433,023</u>
Total Net Position	<u>8,723,866</u>	<u>13,971,145</u>	<u>2,508,008</u>	<u>133,655</u>	<u>25,336,674</u>	<u>23,780,853</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	Business-Type Activities-Enterprise Funds				Totals	
	Sewer Fund	Water Fund	Storm Drain Fund	Transit Fund	2021	2020
Operating Revenues						
Service Charges	2,772,348	1,860,824	181,208	1,730	4,816,110	4,607,254
Intergovernmental	0	0	0	72,197	72,197	49,861
Miscellaneous Revenues	21,290	0	0	4,583	25,873	15,169
Total Operating Revenues	<u>2,793,638</u>	<u>1,860,824</u>	<u>181,208</u>	<u>78,510</u>	<u>4,914,180</u>	<u>4,672,284</u>
Operating Expenses						
Employee Services	393,501	410,386	89,591	10,427	903,905	1,060,187
Supplies And Services	1,175,265	540,029	100,252	148,810	1,964,356	2,804,219
Depreciation	297,248	189,129	42,770	37,651	566,798	548,922
Total Operating Expenses	<u>1,866,014</u>	<u>1,139,544</u>	<u>232,613</u>	<u>196,888</u>	<u>3,435,059</u>	<u>4,413,328</u>
Operating Income (Loss)	<u>927,624</u>	<u>721,280</u>	<u>(51,405)</u>	<u>(118,378)</u>	<u>1,479,121</u>	<u>258,956</u>
Nonoperating Revenues (Expenses)						
Investment Earnings	18,461	18,545	2,943	344	40,293	341,379
Connection Fees	60,269	70,725	30,835	0	161,829	338,551
Development Fees	0	0	0	0	0	0
Gain/Loss on Sale of Assets	0	0	0	0	0	0
Development Contribution	0	0	0	0	0	0
Amortization of Bond Issuance Cost	(8,373)	0	0	0	(8,373)	(7,088)
Interest Expense	(114,038)	(3,011)	0	0	(117,049)	(133,066)
Total Nonoperating Revenues (Expenses)	<u>(43,681)</u>	<u>86,259</u>	<u>33,778</u>	<u>344</u>	<u>76,700</u>	<u>539,776</u>
Income Before Transfers	<u>883,943</u>	<u>807,539</u>	<u>(17,627)</u>	<u>(118,034)</u>	<u>1,555,821</u>	<u>798,732</u>
Operating Transfer In	2,057,477	3,816,159	0	0	5,873,636	953,434
Operating Transfer Out	<u>(2,057,477)</u>	<u>(3,816,159)</u>	<u>0</u>	<u>0</u>	<u>(5,873,636)</u>	<u>(953,434)</u>
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	883,943	807,539	(17,627)	(118,034)	1,555,821	798,732
Total Net Postion - Beginning	7,839,923	13,163,606	2,525,635	251,689	23,780,853	22,982,121
Total Net Position - Ending	<u>8,723,866</u>	<u>13,971,145</u>	<u>2,508,008</u>	<u>133,655</u>	<u>25,336,674</u>	<u>23,780,853</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	Business-Type Activities-Enterprise Funds					Totals	
	Sewer Fund	Water Fund	Storm Drain Fund	Transit Fund	2021	2020	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts From Customers And Users	2,795,744	1,804,331	182,245	38,926	4,821,246	4,857,938	
Payments To Suppliers	(1,631,599)	(542,876)	(100,610)	(168,256)	(2,443,341)	(2,592,816)	
Payments To Employees	(356,404)	(372,406)	(80,692)	(10,427)	(819,929)	(766,677)	
Net Cash Provided By Operating Activities	<u>807,741</u>	<u>889,049</u>	<u>943</u>	<u>(139,757)</u>	<u>1,557,976</u>	<u>1,498,445</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer Ins	2,057,477	3,816,159	0	0	5,873,636	953,434	
Transfer Out	(2,057,477)	(3,816,159)	0	0	(5,873,636)	(953,434)	
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	60,269	70,723	30,836	0	161,828	338,551	
Development Fees	0	0	0	0	0	0	
Due to Other Funds	(103,424)	0	0	0	(103,424)	(105,955)	
Purchase Of Capital Assets	(1,181,556)	(2,236,594)	0	(12,685)	(3,430,835)	(878,659)	
Gain/Loss On Sale Of Capital Assets	0	0	0	0	0	0	
Proceeds from New Loan	928,757	1,612,159	0	0	2,540,916	0	
Principal Paid On Capital Debt	(219,206)	(49,849)	0	0	(269,055)	(343,891)	
Interest Paid On Capital Debt	(114,038)	(3,011)	0	0	(117,049)	(133,066)	
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(629,198)</u>	<u>(606,572)</u>	<u>30,836</u>	<u>(12,683)</u>	<u>(1,217,619)</u>	<u>(1,123,020)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest Received	<u>18,461</u>	<u>18,545</u>	<u>2,942</u>	<u>344</u>	<u>40,292</u>	<u>341,380</u>	
Net Cash Provided By Investing Activities	<u>18,461</u>	<u>18,545</u>	<u>2,942</u>	<u>344</u>	<u>40,292</u>	<u>341,380</u>	
Net Increase In Cash And Cash Equivalents	197,004	301,022	34,721	(152,096)	380,651	716,805	
Cash And Equivalents, July 1	<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>	
Cash And Equivalents, June 30	<u>5,657,471</u>	<u>5,179,664</u>	<u>519,916</u>	<u>(77,654)</u>	<u>11,279,397</u>	<u>10,898,746</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	2021	2020
Operating Income	927,624	721,280	(51,405)	(118,378)	1,479,121	258,956
Adjustments To Reconcile Operating Income						
To Net Cash Provided (Used) By Operating Activities						
Depreciation Expense	297,248	189,129	42,770	37,651	566,798	548,922
Receipts From Interfund Services Provided						
Deferred Outflows of Resources	7,269	(7,450)	0	0	(181)	176,848
Accounts Receivable	(1,943)	(52,571)	1,037	(39,584)	(93,061)	197,377
Increase (Decrease) In						
Accounts Payable	(456,334)	(2,847)	(358)	(19,446)	(478,985)	211,403
Compensated Absences	2,133	2,145	569	0	4,847	9,109
Loan Rec	4,049	0	0	0	4,049	(8,890)
Deferred Inflows of Resources	(6,217)	(6,372)	(1,482)	0	(14,071)	17,485
Net Pension Liability	33,912	34,755	8,081	0	76,748	90,068
Customer Deposits	0	(3,922)	0	0	(3,922)	(2,833)
Net Cash Provided (Used) By Operating Activities	<u>807,741</u>	<u>874,147</u>	<u>(788)</u>	<u>(139,757)</u>	<u>1,541,343</u>	<u>1,498,445</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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	195,254	53,538	248,792
Additions	179,406	38,600	218,006
Deletions	(154,246)	(33,753)	(187,999)
Ending Balance	<u>220,414</u>	<u>58,385</u>	<u>278,799</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, 2021

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, 2021

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	252,947	0	0	0	0	0	252,947
Restricted To:							
Streets and Highway	0	1,889,744	3,331,998	1,277,046	0	1,628,002	8,126,790
Housing	0	0	0	0	0	898,294	898,294
Public Safety	0	0	0	0	0	316,556	316,556
Community Development	0	0	0	0	0	48,587	48,587
Committed To:							
Capital Projects	0	0	0	0	0	412,508	412,508
Community Development	0	0	0	0	0	12,612	12,612
Park and Recreation	0	0	0	0	0	183,870	183,870
Reserves	0	0	0	0	0	0	0
Assigned To							
Equipment Reserve	0	0	0	0	0	0	0
Debt Services	0	0	0	0	0	0	0
CalPERS Reserve	0	0	0	0	0	0	0
Streets and Highway	0	0	0	0	0	8,506	8,506
Park and Recreation	0	0	0	0	0	229,303	229,303
Unassigned	<u>4,195,809</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,962,498)</u>	<u>(3,042,901)</u>	<u>(1,809,590)</u>
Total Fund Balances	<u>4,448,756</u>	<u>1,889,744</u>	<u>3,331,998</u>	<u>1,277,046</u>	<u>(2,962,498)</u>	<u>695,337</u>	<u>8,680,383</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, 2021**

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, 2021, the following funds have a deficit fund balance:

Library Fees Fund	\$	157,805
City Hall Fund	\$	2,962,498

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, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>22,374,487</u>
Total cash and investments	<u>22,374,487</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	500
Deposits with financial institutions	388,469
Investments in CSJVRMA	8,413,069
Investments in LAIF	<u>13,572,449</u>
Total cash and investments	<u>22,374,487</u>

**CITY OF ESCALON
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

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 9.58 months.

		<u>Maturity Date</u>
State investment pool	<u>13,572,449</u>	9.58 months average maturity
Total	<u>13,572,449</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, 2021

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, 2021

B. Accounts Receivable

Receivables at June 30, 2021 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	98,177	0	0	0	0	0	98,177
Intergovernmental	143,979	75,000	0	320,132	0	1,953	541,064
Other	146,693	0	0	0	0	0	146,693
Total	<u>388,849</u>	<u>75,000</u>	<u>0</u>	<u>320,132</u>	<u>0</u>	<u>0</u>	<u>785,934</u>

	Sewer	Water	Storm Drain	Transit	Total
Business-Type Activities:					
Utility Billing	14,124	50	0	960	15,134
Intergovernmental	219,243	0	0	53,412	272,655
Other	0	347,577	0	40,585	388,162
Total	<u>233,367</u>	<u>347,627</u>	<u>0</u>	<u>94,957</u>	<u>675,951</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, 2021, the outstanding is \$0.00.

D. Evaluation of Subsequent Events

The City has evaluated subsequent events through March 15, 2022 the date which the financial statements were available to be issued.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

E. Capital Assets

Capital asset activity for the year ended June 30, 2021 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>25,471</u>	<u>1,529,350</u>	<u>(24,721)</u>	<u>1,530,100</u>
Total capital assets not being depreciated	<u>9,952,685</u>	<u>1,529,350</u>	<u>(24,721)</u>	<u>11,457,314</u>
Capital assets being depreciated:				
Infrastructure	23,645,914	487,171	0	24,133,085
Equipment and vehicles	2,473,291	804,998	(173,011)	3,105,278
Building and improvements	<u>13,207,311</u>	<u>351,330</u>	<u>0</u>	<u>13,558,641</u>
Total capital assets being depreciated	<u>39,326,516</u>	<u>1,643,499</u>	<u>(173,011)</u>	<u>40,797,004</u>
Less accumulated depreciation for:				
Infrastructure	(10,746,985)	(828,769)	0	(11,575,754)
Equipment and vehicles	(1,977,149)	(172,097)	171,077	(1,978,169)
Building and improvements	<u>(3,904,419)</u>	<u>(308,513)</u>	<u>0</u>	<u>(4,212,932)</u>
Total accumulated depreciation	<u>(16,628,553)</u>	<u>(1,309,379)</u>	<u>171,077</u>	<u>(17,766,855)</u>
Net capital assets being depreciated	<u>22,697,963</u>	<u>334,120</u>	<u>(1,934)</u>	<u>23,030,149</u>
Total net capital assets - Governmental-type activities	<u>32,650,648</u>	<u>1,863,470</u>	<u>(26,655)</u>	<u>34,487,463</u>

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

Government Activities:	
General Government	153,708
Public Safety	78,635
Public Works	912,549
Community Development	317
Culture and Leisure	<u>164,170</u>
Total Depreciation Expense – Government Activities	<u>1,309,379</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

E. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2021 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>193,952</u>	<u>2,911,339</u>	<u>(20,964)</u>	<u>3,084,327</u>
Total capital assets not being depreciated	<u>4,951,457</u>	<u>2,911,339</u>	<u>(20,964)</u>	<u>7,841,832</u>
Capital assets being depreciated:				
Infrastructure	19,313,121	333,351	0	19,646,472
Equipment and vehicles	2,232,568	205,825	0	2,438,393
Building and improvements	<u>1,415,245</u>	<u>0</u>	<u>0</u>	<u>1,415,245</u>
Total capital assets being depreciated	<u>22,960,934</u>	<u>539,176</u>	<u>0</u>	<u>23,500,110</u>
Less accumulated depreciation for:				
Infrastructure	(7,441,348)	(386,574)	0	(7,827,922)
Equipment and vehicles	(1,711,596)	(152,360)	0	(1,863,956)
Building and improvements	<u>(683,324)</u>	<u>(27,864)</u>	<u>0</u>	<u>(711,188)</u>
Total accumulated depreciation	<u>(9,836,268)</u>	<u>(566,798)</u>	<u>0</u>	<u>(10,403,066)</u>
Net capital assets being depreciated	<u>13,124,666</u>	<u>(27,622)</u>	<u>0</u>	<u>13,097,044</u>
Total net capital assets - Business-type activities	<u>18,076,123</u>	<u>2,883,717</u>	<u>(20,964)</u>	<u>20,938,876</u>

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

Business - Type Activities:

Water	189,129
Sewer	297,248
Storm Drain	42,770
Transit	<u>37,651</u>
Total Depreciation Expense – Business-Type Activities	<u>566,798</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

F. Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	485,586	166,261
Gas Tax	0	40,000
SLESF	0	80,500
Recreation fund	0	20,707
Parks Fund	7	0
Civic/Comm Ctr Debt	166,261	0
CDBG Comm Dev Grant	0	750
Traffic Safety	0	20,000
Energy Lease Debt Services	20,700	345,036
Water	3,816,159	3,816,159
Sewer	2,057,477	2,057,477
Total	<u>6,546,190</u>	<u>6,546,890</u>

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 \$2,793,130 as of June 30, 2021.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

G. Long-Term Debt (continued)

Year Ending June 30	Principal	Interest	Total
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	105,024	58,752	163,776
2027-2031	566,418	252,462	818,880
2032-2036	641,657	177,223	818,880
2037-2041	726,996	91,884	818,880
2042-2044	358,211	10,532	368,460
Total	<u>2,793,130</u>	<u>851,133</u>	<u>3,643,980</u>

Equipment Lease

The City entered into a equipment lease agreement with the Sterling National Bank for the purchase of solar 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 financed this lease on November 05, 2020. Under the new agreement the City will make payments are due annual installments, ranging from \$45,207 to \$83,742 through 2041 with interest of 2.57%. The principal amounts unpaid at June 30, 2021 are \$2,885,096.

Year Ending June 30	Principal	Interest	Total
2022	67,827	73,570	141,397
2023	68,802	71,840	140,642
2024	75,137	70,086	145,223
2025	81,826	68,170	149,996
2026	88,887	66,083	154,970
2027-2031	564,776	292,456	857,232
2032-2036	809,508	208,628	1,018,136
2037-2041	1,128,334	90,012	1,218,345
Total	<u>2,885,096</u>	<u>940,845</u>	<u>3,825,941</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Business-Type Activities:

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, 2021 is \$129,028.

Year Ending June 30	Principal	Interest	Total
2022	50,885	1,975	52,860
2023	51,754	1,106	52,860
2024	26,389	223	26,612
Total	<u>129,028</u>	<u>3,304</u>	<u>132,332</u>

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, 2021 are \$433,631 and \$2,896,579.

Year Ending June 30	Principal	Interest	Total
2022	38,635	13,574	52,209
2023	37,879	12,317	50,196
2024	37,099	11,085	48,184
2025	41,232	11,085	52,317
2026	40,381	8,456	48,837
2027-2031	<u>238,405</u>	<u>20,105</u>	<u>258,510</u>
Total	<u>433,631</u>	<u>76,622</u>	<u>510,253</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

G. Long-Term Debt (continued)

Year Ending June 30	Principal	Interest	Total
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	217,456	66,709	284,165
2025-2031	1,199,662	221,169	1,420,831
2032-2034	676,856	33,559	710,415
Total	<u>2,896,579</u>	<u>655,497</u>	<u>3,552,076</u>

Equipment Lease

The City entered into a equipment lease agreement with the Sterling National Bank for the purchase of solar improvements to the Sewer Treatment center. At the end of the lease term the City will take ownership of all leased property. The City financed this lease on November 5, 2020. Under the new agreement the City will make payments are due annual installments, ranging from \$45,207 to \$83,742 through 2041 with interest of 2.57%. The principal amounts unpaid at June 30, 2021 are \$928,757

Year Ending June 30	Principal	Interest	Total
2022	21,835	23,683	45,518
2023	22,148	23,127	45,275
2024	24,188	22,562	46,750
2025	26,341	21,945	48,286
2026	28,614	21,273	49,887
2025-2031	181,810	94,146	275,956
2032-2036	260,593	67,161	327,754
2037-2041	363,228	28,876	392,104
Total	<u>928,757</u>	<u>302,773</u>	<u>1,231,530</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

G. Long-Term Debt (continued)

Equipment Lease

The City entered into a equipment lease agreement with the Sterling National Bank for the purchase of water meters improvements to the water system. At the end of the lease term the City will take ownership of all leased property. The City refinanced this lease on November 5, 2020. Under the new agreement the City will make payments are due annual installments, ranging from \$79,011 to \$146,359 through 2041 with interest of 2.57%. The principal amounts unpaid at June 30, 2021 is \$1,612,159.

Year Ending June 30	Principal	Interest	Total
2022	37,901	41,110	79,011
2023	38,446	40,144	78,589
2024	41,986	39,163	81,149
2025	45,723	38,093	83,816
2026	49,669	36,927	86,596
2025-2031	315,590	163,421	479,011
2032-2036	452,344	116,579	568,923
2037-2041	630,500	50,298	680,798
Total	<u>1,612,159</u>	<u>525,734</u>	<u>2,137,893</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, 2021:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Energy Lease	0	2,885,096	0	2,885,096	67,827
Civic Center Lease	<u>2,885,542</u>	<u>0</u>	<u>(92,412)</u>	<u>2,793,130</u>	<u>95,041</u>
Long-term liabilities of Governmental Activities:	<u>2,885,542</u>	<u>2,885,096</u>	<u>(92,412)</u>	<u>5,678,226</u>	<u>162,868</u>

**CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

G. Long-Term Debt (continued)

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Water Loan SRF-18	178,877	0	(49,849)	129,028	50,885
Water Meter Lease	0	1,612,159	0	1,612,159	37,901
Water and Wastewater Bonds	467,935	0	(34,304)	433,631	38,635
Sewer Solar Lease	0	928,757	0	928,757	21,835
Sewer Bonds	<u>3,081,480</u>	<u>0</u>	<u>(184,901)</u>	<u>2,896,579</u>	<u>190,997</u>
Long-term liabilities of Business-Type activities:	<u>3,728,292</u>	<u>2,540,916</u>	<u>(269,054)</u>	<u>6,000,154</u>	<u>340,253</u>

H. Payables And Other Liabilities

Payables at June 30, 2021 for the City's individual major funds and non-major funds in the aggregate are as follows:

	General	Transportation	Measure K	Non-major Govern- mental	Total
Governmental Activities:					
Vendors	295,477	0	1,704	12,376	309,557
Other Payables	18,974	0	0	0	18,974
Developer Deposits	82,156	0	0	0	82,156
Total	<u>396,607</u>	<u>0</u>	<u>1,704</u>	<u>12,376</u>	<u>410,687</u>

	Sewer	Water	Storm Drain	Transit	Total
Business-Type Activities:					
Vendors	121,762	39,954	3,718	410	165,844
Customer Deposits	0	47,576	0	0	47,576
Other Payables	<u>6,784</u>	<u>6,145</u>	<u>0</u>	<u>2,798</u>	<u>15,727</u>
Total	<u>128,546</u>	<u>93,675</u>	<u>3,718</u>	<u>3,208</u>	<u>229,147</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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.

The financial position and results of operations for the CSJVRMA, as of June 30, 2020, are presented below:

Total Assets	<u>140,373,479</u>
Total Liabilities	120,609,137
Total Net Assets	<u>19,764,342</u>
Total Liabilities & Net Assets	<u>140,373,479</u>
Total Revenues for Year	58,244,856
Total Expenses for Year	<u>57,261,330</u>
Net Income for Year	<u>983,526</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.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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.

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

C. Employee Retirement Systems and Plans (Continued)

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, 2021

C. Employee Retirement Systems and Plans (Continued)

For the year ended June 30, 2021, the contribution recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 133,715	\$ 113,416
Lump Sum Contributions	350,586	140,978

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	\$ 3,955,104
Safety	<u>2,218,117</u>
Total Net Pension Liability	<u>\$ 6,173,221</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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2020 and 2021 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2020	0.09647%	0.03214%	0.05728%
Proportion - June 30, 2021	<u>0.09377%</u>	<u>0.03329%</u>	<u>0.05674%</u>
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, 2021

C. Employee Retirement Systems and Plans (Continued)

At June 30, 2020, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of Assumptions	\$ 0	\$ 35,598
Differences Between Expected and Actual Experiences	375,822	0
Differences Between Projected and Actual Investment Earnings	165,702	0
Differences Between Employer's Contributions and Proportionate Share of Contributions	0	605,310
Change in Employer's Proportion	53,368	117,905
Pension Contributions Made Subsequent to Measurement Date	255,523	0
	<u>\$ 850,415</u>	<u>\$ 758,813</u>

\$850,415 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, 2021. 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>
2022	\$ (199,948)	\$ (50,245)	\$ (250,193)
2023	(37,903)	8,669	(29,234)
2024	11,005	23,993	34,998
2025	56,353	24,155	80,508
2026	-	-	-
Thereafter	-	-	-
	<u>\$ (170,493)</u>	<u>\$ 6,572</u>	<u>\$ (163,921)</u>

CITY OF ESCALON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2019 actuarial accounting valuations to June 30, 2020. The June 30, 2020, total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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, 2021**

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%	4.80%	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	5,590,195	3,955,104	2,604,080
Safety	3,378,897	2,218,117	1,265,587
Total	8,969,092	6,173,221	3,869,667

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, 2021

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.0649%	0.0657%	0.0668%	0.0754%	0.0821%	0.0561%	0.05792%
Proportion share of the net pension liability	\$ 3,955,104	\$ 3,802,855	\$ 3,632,713	\$ 3,728,981	\$ 3,334,984	\$ 2,366,853	\$ 2,613,459
Covered - employee payroll	\$ 2,698,758	\$ 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	146.55%	146.54%	143.44%	136.19%	138.63%	235.65%	265.00%
Plan's fiduciary net position	\$ 8,331,828	\$ 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	67.81%	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, 2021

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.0345%	0.0348%	0.0336%	0.0337%	0.0473%	0.0341%	0.03961%
Proportion share of the net pension liability	\$ 2,218,117	\$ 1,993,679	\$ 1,885,853	\$ 1,917,754	\$ 1,702,901	\$ 1,402,956	\$ 1,632,087
Covered - employee payroll	\$ 1,433,326	\$ 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	154.75%	144.94%	147.82%	156.59%	150.64%	211.63%	231.25%
Plan's fiduciary net position	\$ 6,329,365	\$ 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	74.05%	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, 2021

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 1,037,181	\$ 876,282	\$ 789,561	\$ 647,565	\$ 546,477	\$ 280,615	\$ 203,824
Contributions in relation to the actuarially determined contributions	(1,037,181)	(876,282)	(789,561)	(647,565)	(546,477)	(280,615)	(203,824)
Contribution deficiency (excess)	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 2,698,758	\$ 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	38.43%	33.77%	31.18%	23.65%	22.72%	27.94%	20.67%

Notes to Schedule:

Valuation Date: 6/30/2019 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	2.63%
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, 2021**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 550,853	\$ 464,479	\$ 397,737	\$ 289,639	\$ 256,790	\$ 237,553	\$ 241,124
Contributions in relation to the actuarially determined contributions	(550,853)	(464,479)	(397,737)	(289,639)	(256,790)	(237,553)	(241,124)
Contribution deficiency (excess)	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 1,433,326	\$ 1,375,515	\$ 1,275,791	\$ 1,224,683	\$ 1,130,445	\$ 662,916	\$ 705,770
Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll	38.43%	33.77%	31.18%	23.65%	22.72%	35.83%	34.16%

Notes to Schedule:

Valuation Date: 6/30/2019 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	2.63%
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.

Energy Lease - To account for monies for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the Energy Lease construction project.

**CITY OF ESCALON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

	Special Revenue			
	Police Dept Fees Fund	Public Works Fees Fund	Park Fees Fund	Planning Fees Fund
Assets				
Cash And Investments	94,754	100,489	184,284	12,612
Cash with Fiscal Agent	0	0	0	0
Accounts Receivable	0	0	0	0
Loans Receivable	0	0	0	0
Due From Other Funds	0	312,019	0	0
Total Assets	<u>94,754</u>	<u>412,508</u>	<u>184,284</u>	<u>12,612</u>
Liabilities And Fund Balances				
Liabilities				
Accounts Payable	0	0	414	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>414</u>	<u>0</u>
Fund Balances				
Nonspendable	0	0	0	0
Restricted	94,754	0	0	0
Committed	0	412,508	183,870	12,612
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>94,754</u>	<u>412,508</u>	<u>183,870</u>	<u>12,612</u>
Total Liabilities And Fund Balances	<u>94,754</u>	<u>412,508</u>	<u>184,284</u>	<u>12,612</u>

Special Revenue

In-Lieu Low Income Housing Program	Recreation Fund	Library Fund	RTIF Fund	SLESF Fund	Auto Theft Fund
66,244	229,303	0	363,712	208,831	14,445
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>832,050</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>898,294</u>	<u>229,303</u>	<u>0</u>	<u>363,712</u>	<u>208,831</u>	<u>14,445</u>
0	0	0	4,185	1,474	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>157,805</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>157,805</u>	<u>4,185</u>	<u>1,474</u>	<u>0</u>
0	0	0	0	0	0
898,294	0	0	359,527	207,357	14,445
0	0	0	0	0	0
0	229,303	0	0	0	0
<u>0</u>	<u>0</u>	<u>(157,805)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>898,294</u>	<u>229,303</u>	<u>(157,805)</u>	<u>359,527</u>	<u>207,357</u>	<u>14,445</u>
<u>898,294</u>	<u>229,303</u>	<u>0</u>	<u>363,712</u>	<u>208,831</u>	<u>14,445</u>

**CITY OF ESCALON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

Special Revenue

	Lighting Landscape District Fund	Gas Tax Funds	Traffic Safety Fund	Traffic Congestion Fund	CDBG Comm Dev Grant
Assets					
Cash And Investments	54,178	1,151,558	23,802	91,874	0
Cash with Fiscal Agent	0	0	0	0	0
Accounts Receivable	0	0	1,953	0	0
Loans Receivable	0	0	0	0	0
Due From Other Funds	0	0	0	0	0
Total Assets	<u>54,178</u>	<u>1,151,558</u>	<u>25,755</u>	<u>91,874</u>	<u>0</u>
Liabilities And Fund Balances					
Liabilities					
Accounts Payable	5,591	375	337	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>5,591</u>	<u>375</u>	<u>337</u>	<u>0</u>	<u>0</u>
Fund Balances					
Nonspendable	0	0	0	0	0
Restricted	48,587	1,151,183	25,418	91,874	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	0	0	0
Total Fund Balances	<u>48,587</u>	<u>1,151,183</u>	<u>25,418</u>	<u>91,874</u>	<u>0</u>
Total Liabilities And Fund Balances	<u>54,178</u>	<u>1,151,558</u>	<u>25,755</u>	<u>91,874</u>	<u>0</u>

Capital Project		Debt Service			
St John At BNSF Fund	Civic Center Debt Service	Energy Lease Debt Service	Total Non-Major Funds		
			2021	2020	
8,506	0	0	2,604,592	2,356,218	
0	0	0	0	0	
0	0	0	1,953	15,401	
0	0	0	0	0	
0	2,793,130	0	3,937,199	4,026,352	
<u>8,506</u>	<u>2,793,130</u>	<u>0</u>	<u>6,543,744</u>	<u>6,397,971</u>	
0	0	0	12,376	28,524	
0	0	0	0	0	
0	0	0	0	0	
0	2,793,130	2,885,096	5,678,226	2,885,542	
0	0	0	157,805	158,768	
<u>0</u>	<u>2,793,130</u>	<u>2,885,096</u>	<u>5,848,407</u>	<u>3,072,834</u>	
0	0	0	0	0	
0	0	0	2,891,439	2,744,912	
0	0	0	608,990	545,449	
8,506	0	0	237,809	193,530	
0	0	(2,885,096)	(3,042,901)	(158,754)	
<u>8,506</u>	<u>0</u>	<u>(2,885,096)</u>	<u>695,337</u>	<u>3,325,137</u>	
<u>8,506</u>	<u>2,793,130</u>	<u>0</u>	<u>6,543,744</u>	<u>6,397,971</u>	

**CITY OF ESCALON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

Special Revenue

	Police Dept Fees Fund	Public Works Fee Fund	Park Fee Fund	Planning Fees Fund
Revenues				
Investment Earnings	338	1,968	599	45
Intergovernmental	0	0	0	0
Property Taxes	0	0	0	0
Other Taxes	0	0	0	0
Impact Fees	15,627	7,388	64,233	0
Fines And Forfeitures	0	0	0	0
Licenses And Permits	0	0	0	0
Service Charges And Miscellaneous	0	0	24,960	0
Total Revenues	<u>15,965</u>	<u>9,356</u>	<u>89,792</u>	<u>45</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	18,969	0
Debt Service				
Principal	0	0	0	0
Interest & Other Charges	0	0	0	0
Capital Outlay	0	0	16,690	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>35,659</u>	<u>0</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>15,965</u>	<u>9,356</u>	<u>54,133</u>	<u>45</u>
Other Financing Sources (Uses)				
Operating Transfers In	0	0	7	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>7</u>	<u>0</u>
Net Change In Fund Balances	15,965	9,356	54,140	45
Fund Balance - Beginning	<u>78,789</u>	<u>403,152</u>	<u>129,730</u>	<u>12,567</u>
Fund Balance - Ending	<u>94,754</u>	<u>412,508</u>	<u>183,870</u>	<u>12,612</u>

Special Revenue

	In-Lieu Low Income Housing Program	Recreation Fund	Library Fund	RTIF Fund	SLESF Fund	Auto Theft Fund
	4,554	753	1	1,256	853	0
	17,288	0	0	0	156,727	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	64,233	948	22,848	0	0
#	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	<u>21,842</u>	<u>64,986</u>	<u>949</u>	<u>24,104</u>	<u>157,580</u>	<u>0</u>
	0	0	0	0	0	0
	0	0	0	0	15,971	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	61,302	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,273</u>	<u>0</u>
	<u>21,842</u>	<u>64,986</u>	<u>949</u>	<u>24,104</u>	<u>80,307</u>	<u>0</u>
	0	0	0	0	0	0
	<u>0</u>	<u>(20,707)</u>	<u>0</u>	<u>0</u>	<u>(80,500)</u>	<u>0</u>
	<u>0</u>	<u>(20,707)</u>	<u>0</u>	<u>0</u>	<u>(80,500)</u>	<u>0</u>
	21,842	44,279	949	24,104	(193)	0
	<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>898,294</u>	<u>229,303</u>	<u>(157,805)</u>	<u>359,527</u>	<u>207,357</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2020**

Special Revenue

	Lighting Landscape District Fund	Gas Tax Funds	Traffic Safety Fund	Traffic Congestion Fund	CDBG Comm Dev Grant
Revenues					
Investment Earnings	148	3,734	0	331	0
Intergovernmental	0	292,637	20,181	0	750
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	0	0	0
Licenses And Permits	0	0	0	0	0
Service Charges And Miscellaneous	95,382	0	0	0	0
Total Revenues	95,530	296,371	20,181	331	750
Expenditures					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Public Works	0	0	0	0	0
Community Development	102,493	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	165,111	0	0	0
Total Expenditures	102,493	165,111	0	0	0
Excess(Deficiency) Of Revenues Over Expenditures	(6,963)	131,260	20,181	331	750
Other Financing Sources (Uses)					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	0	(40,000)	(20,000)	0	(750)
Total Other Financing Sources (Uses)	0	(40,000)	(20,000)	0	(750)
Net Change In Fund Balances	(6,963)	91,260	181	331	0
Fund Balance - Beginning	55,550	1,059,923	25,237	91,543	0
Fund Balance - Ending	48,587	1,151,183	25,418	91,874	0

Capital Project		Debt Service			
St John At BNSF Fund	Civic Center Debt Service	Energy Lease Debt Service	Total Non-Major Funds		
			2021	2020	
0	0	0	14,580	94,706	
0	0	0	487,583	539,422	
0	0	0	0	0	
0	0	0	0	0	
0	0	0	175,277	216,297	
0	0	0	0	24,720	
0	0	0	0	0	
0	0	0	120,342	131,626	
<u>0</u>	<u>0</u>	<u>0</u>	<u>797,782</u>	<u>1,006,771</u>	
0	0	0	0	0	
0	0	0	15,971	47,001	
0	0	0	0	0	
0	2,556	0	105,049	86,613	
0	0	0	18,969	45,024	
0	92,412	0	92,412	90,409	
0	71,293	0	71,293	73,367	
0	0	2,560,760	2,803,863	404,567	
<u>0</u>	<u>166,261</u>	<u>2,560,760</u>	<u>3,107,557</u>	<u>746,981</u>	
<u>0</u>	<u>(166,261)</u>	<u>(2,560,760)</u>	<u>(2,309,775)</u>	<u>259,790</u>	
0	166,261	20,700	186,968	384,808	
<u>0</u>	<u>0</u>	<u>(345,036)</u>	<u>(506,993)</u>	<u>(340,647)</u>	
<u>0</u>	<u>166,261</u>	<u>(324,336)</u>	<u>(320,025)</u>	<u>44,161</u>	
0	0	(2,885,096)	(2,629,800)	303,951	
<u>8,506</u>	<u>0</u>	<u>0</u>	<u>3,325,137</u>	<u>3,021,186</u>	
<u>8,506</u>	<u>0</u>	<u>(2,885,096)</u>	<u>695,337</u>	<u>3,325,137</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, 2021, 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 March 15, 2022

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.

Gallagher Gatewood, A Professional Accountancy Corporation

GALLAGHER GATEWOOD, A PROFESSIONAL ACCOUNTANCY CORPORATION

Modesto, California
March 15, 2022



**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, 2021, and have issued our report thereon dated March 15, 2022. 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.

Gallagher Gatewood, A Professional Accountancy Corporation

GALLAGHER GATEWOOD, A PROFESSIONAL ACCOUNTANCY CORPORATION

Modesto, California
March 15, 2022