

**CITY OF LOYALTON
FINANCIAL STATEMENTS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



CITY OF LOYALTON

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Loyalton, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Loyalton, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 the 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.

Auditors' Responsibility

Our Responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 City'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 City'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 financial statement presentation.

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

Basis for Qualified Opinion

The City does not utilize an accounting system with a self-balancing set of accounts for recording transactions to each fund. As a result entries can be posted to the general ledger causing the financial statements to be out of balance by fund and entries posted to funds causing material misstatement without being detected in a timely manner by the finance staff.

The City has not reviewed and adjusted prior year allocations for the enterprise funds debt service reserve transfers. The net effect of adjustments could result in material misstatements to these financial statements, the amount of which is unknown.

Basis for Qualified Opinion (Continued)

The City has not obtained an actuarial valuation and has not recorded the information in these financial statements in accordance with Governmental Accounting Board Statement No. 68 (GASB 68), for the pension commitment made to certain retirees of the City. As a result of not obtaining an actuarial valuation in accordance with GASB 68, the amount of misstatement to the net pension liability, the deferred outflow of resources, the deferred inflow of resources and pension expense is unknown.

Qualified Opinion

Except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Loyaltan as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The City of Loyaltan has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

Other Information

The required supplementary information other than Management Discussion and Analysis, described as the budgetary comparison schedules in the table of contents on pages 25 and 26 are 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 (GASB), 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.



Larry Bain, CPA,
An Accounting Corporation
October 4, 2020

CITY OF LOYALTON

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and investments	\$ 542,566	\$ 2,716,795	\$ 3,259,361
Prepaid expense		50,652	50,652
Accounts receivable	35,580	58,269	93,849
Grants receivable		7,732	7,732
Restricted cash and investments	22,984	350,878	373,862
Total Current Assets	<u>601,130</u>	<u>3,184,326</u>	<u>3,785,456</u>
Non Current Assets			
Loans receivable	2,764		2,764
Internal balances	314,366	(314,366)	-
Capital assets:			
Land	55,293	373,319	428,612
Construction in Progress		94,297	94,297
Buildings	867,070	415,920	1,282,990
Site improvements	2,363,686	11,030,870	13,394,556
Equipment	614,973	810,184	1,425,157
Less: accumulated depreciation	(1,529,618)	(5,274,595)	(6,804,213)
Total Capital Assets	<u>2,371,404</u>	<u>7,449,995</u>	<u>9,821,399</u>
Total Non Current Assets	<u>2,688,534</u>	<u>7,135,629</u>	<u>9,824,163</u>
Total Assets	<u>3,289,664</u>	<u>10,319,955</u>	<u>13,609,619</u>
Liabilities			
Current liabilities:			
Accounts payable	11,693	55,611	67,304
Accrued wages	3,458		3,458
Accrued interest payable		67,877	67,877
Unearned revenue-advance	103,956		103,956
Long-term liabilities-due within one year		126,400	126,400
Total Current Liabilities	<u>119,107</u>	<u>249,888</u>	<u>368,995</u>
Liabilities-due in more than one year:			
Compensated absences		4,703	4,703
Note payable		849,629	849,629
Certificate of participation		3,945,000	3,945,000
Total Liabilities Due In More Than One Year		<u>4,799,332</u>	<u>4,799,332</u>
Total Liabilities	<u>119,107</u>	<u>5,049,220</u>	<u>5,168,327</u>
Net Position			
Net investment in capital assets	2,371,404	2,531,225	4,902,629
Restricted for debt service		350,878	350,878
Unrestricted	799,153	2,388,632	3,187,786
Total Net Position	<u>\$ 3,170,557</u>	<u>\$ 5,270,735</u>	<u>\$ 8,441,292</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON

STATEMENT OF ACTIVITIES
JUNE 30, 2019

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 132,677	\$ 4,555	\$ -	\$ -	\$ (128,122)	\$ -	\$ (128,122)
Public safety	312,031	20,000		357,019	64,988		64,988
Public works	1,793	1,930			137		137
Health and welfare-cemetery	341	3,000			2,659		2,659
Streets and roads	69,936	19,009		14,736	(36,191)		(36,191)
Culture/recreation	53,966	7,683			(46,283)		(46,283)
Total Governmental Activities	570,744	56,177		371,755	(142,812)		(142,812)
Business-type Activities:							
Water	221,630	232,317				10,687	10,687
Sewer	429,485	380,127	181,476			132,118	132,118
Interest on long-term debt	159,947					(159,947)	(159,947)
Total Business-type Activities	811,062	612,444	181,476			(17,142)	(17,142)
Total Government	\$1,381,806	\$ 668,621	\$ 181,476	\$ 371,755	(142,812)	(17,142)	(159,954)
General Revenues:							
Taxes:							
Property taxes					48,509		48,509
Sales and use tax					80,059		80,059
Franchise tax					6,415		6,415
Motor vehicle in lieu tax					62,797		62,797
Other					5,260		5,260
Sale of property						(19,479)	(19,479)
Investment income					11,543	14,645	26,188
Total general revenues					214,583	(4,834)	209,749
Change in net position					71,771	(21,976)	49,795
Net Position - Beginning of Fiscal Year					3,098,787	5,292,711	8,391,498
Net Position - End of Fiscal Year					\$ 3,170,557	\$ 5,270,735	\$ 8,441,292

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	Major Special Revenue Funds			Total Governmental Funds
	General	Gas Tax	CDBG	
<u>Assets</u>				
Cash and investments	\$ 516,702	\$ -	\$ 25,864	\$ 542,566
Restricted cash		22,984		22,984
Receivables				
Accounts	34,258	1,322		35,580
Loans			2,764	2,764
Due from other funds	458,256	18,974	196,287	673,517
Total Assets	<u>\$ 1,009,216</u>	<u>\$ 43,280</u>	<u>\$ 224,915</u>	<u>\$ 1,277,411</u>
<u>Liabilities</u>				
Accounts payable	\$ 7,694	\$ 3,999	\$ -	\$ 11,693
Accrued payroll	3,458			3,458
Unearned revenue-advance	39,873	64,083		103,956
Due to other funds	300,512	58,639		359,151
Total Liabilities	<u>351,537</u>	<u>126,721</u>		<u>478,258</u>
<u>Fund Balances</u>				
Nonspendable for loans receivable			2,764	2,764
Assigned for special revenue funds			222,151	222,151
Unassigned	657,679	(83,441)		574,238
Total Fund Balances	<u>657,679</u>	<u>(83,441)</u>	<u>224,915</u>	<u>799,153</u>
Total Liabilities and Fund Balances	<u>\$ 1,009,216</u>	<u>\$ 43,280</u>	<u>\$ 224,915</u>	<u>\$ 1,277,411</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Fund Balances of Governmental Funds	\$ 799,153
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	<u>2,371,404</u>
Net Position of Governmental Activities	<u>\$ 3,170,557</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Major Special Revenue Funds			Total Governmental Funds
	General	Gas Tax	CDBG	
Revenues				
Taxes	\$ 128,568	\$ -	\$ -	\$ 128,568
Licenses and permits	12,125			12,125
Intergovernmental	419,816	33,745		453,561
Charges for current services	36,174			36,174
Use of money and property	436		7	443
Other	11,643			11,643
Total Revenues	<u>608,762</u>	<u>33,745</u>	<u>7</u>	<u>642,514</u>
Expenditures				
Current:				
General government	58,043		57	58,100
Public safety	292,005			292,005
Health and sanitation	341			341
Highways and streets		69,936		69,936
Culture and recreation	19,003			19,003
Capital Outlay				-
Total Expenditures	<u>369,392</u>	<u>69,936</u>	<u>57</u>	<u>439,385</u>
Net Change in Fund Balance	<u>239,370</u>	<u>(36,191)</u>	<u>(50)</u>	<u>203,129</u>
Fund Balances, Beginning of Fiscal Year	<u>418,309</u>	<u>(47,250)</u>	<u>224,965</u>	<u>596,024</u>
Fund Balances, End of Fiscal Year	<u>\$ 657,679</u>	<u>\$ (83,441)</u>	<u>\$ 224,915</u>	<u>\$ 799,153</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES-GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 203,129

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized
Depreciation expense (131,359)

Change in Net Position of Governmental Activities \$ 71,771

CITY OF LOYALTON

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Current assets:			
Cash and investments	\$ 138,690	\$ 2,578,105	\$ 2,716,795
Restricted cash and investments	61,887	288,991	350,878
Prepaid expense		50,652	50,652
Receivables			
Accounts (Net of allowance for doubtful accounts)	26,642	31,627	58,269
Interest receivable		7,732	7,732
Due from other funds	71,963	43,223	115,186
Total current assets	<u>299,182</u>	<u>3,000,330</u>	<u>3,299,512</u>
Capital assets:			
Nondepreciable capital assets:			
Land		373,319	373,319
Construction in progress		94,297	94,297
Depreciable capital assets			
Building		415,920	415,920
Site improvements	2,787,734	8,243,136	11,030,870
Equipment	167,153	643,031	810,184
Less accumulated depreciation	<u>(1,211,601)</u>	<u>(4,062,994)</u>	<u>(5,274,595)</u>
Total capital assets (net of accumulated depreciation)	<u>1,743,286</u>	<u>5,706,709</u>	<u>7,449,995</u>
Total Assets	<u>2,042,468</u>	<u>8,707,039</u>	<u>10,749,507</u>
Liabilities			
Current liabilities:			
Accounts payable	7,453	48,158	55,611
Due to other funds	153,588	275,964	429,552
Current portion - long term liabilities	19,800	106,600	126,400
Interest payable	14,142	53,735	67,877
Total current liabilities	<u>194,983</u>	<u>484,457</u>	<u>679,440</u>
Noncurrent liabilities:			
Compensated absences	1,567	3,136	4,703
Bonds payable		849,629	849,629
Certificates of participation	923,000	3,022,000	3,945,000
Total noncurrent liabilities	<u>924,567</u>	<u>3,874,765</u>	<u>4,799,332</u>
Total Liabilities	<u>1,119,550</u>	<u>4,359,222</u>	<u>5,478,772</u>
Net position:			
Net investment in capital assets	800,486	1,730,739	2,531,225
Restricted for debt service	61,887	288,991	350,878
Unrestricted	60,545	2,328,087	2,388,632
Total Net Position	<u>\$ 922,918</u>	<u>\$ 4,347,817</u>	<u>\$ 5,270,735</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 232,317	\$ 379,843	\$ 612,160
Other income		284	284
Total Operating Revenues	<u>232,317</u>	<u>380,127</u>	<u>612,444</u>
Operating Expenses			
Salaries and benefits	56,499	82,956	139,455
Services and supplies	93,362	143,789	237,151
Depreciation expense	71,769	202,740	274,509
Total Operating Expenses	<u>221,630</u>	<u>429,485</u>	<u>651,115</u>
Operating Income (Loss)	<u>10,687</u>	<u>(49,358)</u>	<u>(38,671)</u>
Non-Operating Revenues (Expenses)			
Interest income	267	14,378	14,645
grant		181,476	181,476
Interest expense	(42,569)	(117,378)	(159,947)
Loss on sale of assets		(19,479)	(19,479)
Total Non-Operating Revenues (Expenses)	<u>(42,302)</u>	<u>58,997</u>	<u>16,695</u>
Net Change in Fund Balance	(31,615)	9,639	(21,976)
Net Position, Beginning of Fiscal Year	<u>954,533</u>	<u>4,338,178</u>	<u>5,292,711</u>
Net Position, End of Fiscal Year	<u>\$ 922,918</u>	<u>\$ 4,347,817</u>	<u>\$ 5,270,735</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2019

	Water	Sewer	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 223,335	\$ 377,631	\$ 600,966
Cash payments to suppliers	(93,224)	(325,802)	(419,026)
Cash payments to employees	(59,157)	(86,711)	(145,868)
Net Cash Provided By (Used For) Operating Activities	<u>70,954</u>	<u>(34,882)</u>	<u>36,072</u>
Cash Flows from Noncapital Financing Activities			
Interfund activity	1,134	43,881	45,015
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>1,134</u>	<u>43,881</u>	<u>45,015</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of fixed assets		(208,478)	(208,478)
Reductions of debt	(19,000)	(102,600)	(121,600)
Capital grant		373,848	373,848
Sale of assets		33,300	33,300
WWTP legal settlement-net			-
Interest expense	(42,854)	(118,898)	(161,752)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(61,854)</u>	<u>(22,828)</u>	<u>(84,682)</u>
Cash Flows from Investing Activities:			
Interest income	267	6,646	6,913
Net Cash Provided By Investing Activities	<u>267</u>	<u>6,646</u>	<u>6,913</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,501	(7,183)	3,318
Cash and Cash Equivalents, Beginning of Fiscal Year	190,076	2,874,279	3,064,355
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 200,577</u>	<u>\$ 2,867,096</u>	<u>\$ 3,067,673</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and investments	\$ 138,690	\$ 2,578,105	\$ 2,716,795
Restricted cash and investments	61,887	288,991	350,878
Total Cash and Cash Equivalents	<u>\$ 200,577</u>	<u>\$ 2,867,096</u>	<u>\$ 3,067,673</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 10,687	\$ (49,358)	\$ (38,671)
Adjustments to operating income:			
Depreciation	71,769	202,740	274,509
(Increase) decrease in accounts receivable	(8,982)	(2,496)	(11,478)
(Increase) decrease in prepaid expense		(50,652)	(50,652)
Increase (decrease) in accounts payable	138	(131,361)	(131,223)
Increase (decrease) in accrued payroll	(2,371)	(3,214)	(5,585)
Increase (decrease) in compensated absences	(287)	(541)	(828)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 70,954</u>	<u>\$ (34,882)</u>	<u>\$ 36,072</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOYALTON

Notes to the Financial Statements June 30, 2019

Note 1: Summary of Significant Accounting Policies

The basic financial statements of City of Loyalton, California, (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the acceptable standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated in 1901, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides services including general government, public works, public safety, water, sewer, and parks and recreation. Control or dependence is determined on the basis of budget adoption, selection of governing authority and designation of management, outstanding debt secured by revenues or general obligations of the City and ability to significantly influence operations.

The financial reporting entity, as defined by the GASB, consists of the primary government, the City, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Basis of Accounting

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from sales tax is recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The City considers property taxes available if they are collected within sixty-days after year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

CITY OF LOYALTON

Notes to the Financial Statements June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. 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 charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

The City reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

Gas Tax Fund – This fund is used to account the revenues and expenditures of the State Gas Tax

CDBG Fund – This is used to account for Community Development revenue and expenditures

The City reports the following major enterprise funds:

Water and Sewer Funds - account for the operation of the City's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. The Funds also accumulate resources for, and payment of long-term debt principal and interest. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

CITY OF LOYALTON

Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

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

E. Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the City are considered cash equivalents for purposes of the combined statement of cash flow's because the City's cash management pool and funds invested by the City possess the characteristics of demand deposit accounts.

F. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Building and improvements	40-50 years
Utility Systems	18-50 years
Equipment and machinery	5-15 years

G. Property Tax

Sierra County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is levied each July 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax levied is prorated.

Secured property taxes are due in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is levied on July 1 and due on July 31 and becomes delinquent on August 31.

Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the City, eliminating the need for an allowance for uncollectable. The County, in return, receives all penalties and interest on the related delinquent taxes.

CITY OF LOYALTON

Notes to the Financial Statements June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

H. Balance Sheet Classifications

Certain resources are classified as restricted assets as their use is restricted for specific purposes by bond agreements, lease agreements, trust agreements, grant agreements, City Charter provisions, or other requirements. Governmental fund types' restricted assets are for grant advances. Proprietary fund types' restricted assets are for renewal and replacement of equipment and debt service reserves.

I. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued and 25-35% of the accrued sick leave depending on the length of employment with the City.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2019, because the City does not believe any significant resources will be required to fund the year-end compensated absences liability.

Proprietary Funds – Proprietary funds accrue a liability for unused compensated absences earned through year-end. An expense is recognized for the increase in liability from the prior year.

J. Intergovernmental Revenues

Federal and state governments reimburse the City for costs incurred on certain fixed asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a Capital Projects Fund or to contributed capital if administered by a Proprietary Fund. Additionally, the City receives reimbursement from federal and state governments for other programs, such as housing and rehabilitation. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the City to maintain accounting records and substantiating evidence to determine if all costs incurred and claimed are proper and that the City is in compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the City.

K. Net Position

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

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF LOYALTON

Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Concluding)

L. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for governmental funds are made up of the following:

- Non-spendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid, and long-term receivables.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned fund balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds and component units based on their proportionate shares of the average quarterly cash balance.

The City maintains “restricted cash and investments”. Monies restricted are for debt service reserves and legal settlement funds for the wastewater treatment plant.

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

Cash and investments	\$ 3,259,361
Restricted cash and investments	373,862
Total per statement of activities	<u>\$ 3,633,223</u>
Checking account	\$ 716,660
Imprest cash	450
Savings	916,109
LAI ²	2,000,004
Total cash and investments	<u>\$ 3,633,223</u>

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. 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 and investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
State Investment Pool*	\$ 2,000,004	\$ 2,000,004	\$ -
Totals	\$ 2,000,004	\$ 2,000,004	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. 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 deposit or will not be able to recover collateral securities that are in the possession of an outside party. 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 of 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 deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured 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 government unit). The fair 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 the City's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF LOYALTON

Notes to the Financial Statements June 30, 2019

Note 2: Cash and Investments (Continued) D. Custodial Credit Risk (Continued)

At June 30, 2019, the City's deposits balance was \$1,665,054 and the carrying amount was \$1,632,769. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance \$250,000 was covered by the Federal Depository Insurance.

E. Investment in State Investment Pool

LAIIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$101.79 billion. Of the \$101.79 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.37% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The City reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Liability, Insured Programs and Workers Compensation Protection

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the City joined together with other cities in the State to form Small Cities Organized Risk Effort (SCORE), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to SCORE for its insurance coverage. The Agreement for Formation of the SCORE provides that SCORE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels. A Board of Directors governs the SCORE, consisting of one member appointed by each Member City. A management group employed by the SCORE handles the day-to-day business. At the termination of the joint power agreement and after all claims been settled, any excess or deficit will be divided among the cities in accordance with its governing documents. Financial statements of SCORE are available at the City.

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2019</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 55,293	\$ -	\$ -	\$ 55,293
Construction in progress	56,546		(56,546)	-
Capital assets, being depreciated:				
Buildings and improvements	2,363,686			2,363,686
Site improvements	810,524	56,546		867,070
Equipment	614,973			614,973
Total capital assets, being depreciated	3,789,183	56,546		3,845,729
Less accumulated depreciation for:				
Buildings and improvements	(704,162)	(77,650)		(781,812)
Site Improvements	(356,773)	(30,504)		(387,277)
Equipment	(337,324)	(23,205)		(360,529)
Total accumulated depreciation	(1,398,259)	(131,359)		(1,529,618)
Total capital assets, being depreciated, net	2,390,924	(74,813)		2,316,111
Governmental activities capital assets, net	\$ 2,502,763	\$ (74,813)	\$ (56,546)	\$ 2,371,404
Business-Type Activities				
Water				
Capital assets, being depreciated:				
Site improvements	\$ 2,787,734	\$ -	\$ -	\$ 2,787,734
Equipment	167,153			167,153
Total capital assets, being depreciated	2,954,887			2,954,887
Less accumulated depreciation	(1,139,832)	(71,769)		(1,211,601)
Total capital assets, being depreciated, net	1,815,055	(71,769)		1,743,286
Water capital assets, net	\$ 1,815,055	\$ (71,769)	\$ -	\$ 1,743,286
Sewer				
Capital assets, not being depreciated:				
Land	\$ 373,319	\$ -	\$ -	\$ 373,319
Construction in progress		94,297		94,297
Capital assets, being depreciated:				
Buildings	415,920			415,920
Site improvements	8,243,136			8,243,136
Equipment	600,821	114,181	(71,971)	643,031
Total capital assets, being depreciated	9,259,877	114,181	(71,971)	9,302,087
Less accumulated depreciation	(3,879,446)	(202,740)	19,192	(4,062,994)
Total capital assets, being depreciated, net	5,380,431	(88,559)		5,239,093
Sewer capital assets, net	\$ 5,753,750	\$ 5,738	\$ -	\$ 5,706,709

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 4: Capital Assets (Continued)

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General government	\$ 74,577
Public safety	20,026
Streets and roads	1,793
Parks	<u>34,963</u>
Total	<u>\$ 131,359</u>

The City believes the estimated useful lives of some of the assets involved at the Wastewater Treatment Plant will be much less than was previously anticipated at the time the assets were completed. Depreciation expense has been increased accordingly. The ultimate useful life of these items will depend on the alternative corrective action the City selects for repair of the facility.

Note 5: Lease Income

The City of Loyalton derives a portion of its revenue from the rental of real property based on a fixed lease amount. All leases of the City are treated as operating leases for accounting purposes. Lease terms can be terminated by lessor at any time and without cause. Because these are cancelable leases we do not present the operating revenue over the term of the lease.

Note 6: Long-term Liabilities

Business-Type Activities:

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2019:

Water Fund	Balance <u>July 1, 2018</u>	Additions	Adjustments/ Retirements	Balance <u>June 30, 2019</u>	Due Within One Year
Compensated absences	\$ 1,854	\$ -	\$ (287)	\$ 1,567	\$ 1,113
2004 COP	961,800		(19,000)	942,800	19,000
Total	<u>\$ 963,654</u>	<u>\$ -</u>	<u>\$ (19,287)</u>	<u>\$ 944,367</u>	<u>\$ 20,113</u>
Sewer Fund	Balance <u>July 1, 2018</u>	Additions	Adjustments/ Retirements	Balance <u>June 30, 2019</u>	Due Within One Year
Compensated absences	\$ 3,677	\$ -	\$ (541)	\$ 3,136	\$ 2,259
1995A Sewer revenue bond	806,538		(33,000)	773,538	33,000
1995B Sewer revenue bond	120,291		(4,600)	115,691	4,600
2009 COP	3,154,000		(65,000)	3,089,000	65,000
Total	<u>\$ 4,084,506</u>	<u>\$ -</u>	<u>\$ (103,141)</u>	<u>\$ 3,981,365</u>	<u>\$ 104,859</u>

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 6: Long-term Liabilities (Continued)

Water Fund - 2004 Certificates of Participation

The City of Loyalton issued \$1,144,600 in certificates of participation on March 1, 2004 through Rural USDA to provide funds for the construction of various water system improvements.

The installment payments are secured by a pledge of the net revenues of the City's water system as provided in the installment purchase contract. The interest rate is 4.5% with payment due dates of March 1 and September 1 and final payment due September 1, 2044.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2019 are as follows:

Fiscal Year End	Principal	Interest	Total
June 30,			
2020	\$ 19,800	\$ 41,981	\$ 61,781
2021	20,700	41,069	61,769
2022	21,600	40,118	61,718
2023	22,600	39,123	61,723
2024	23,600	38,615	62,215
2025-2029	135,200	173,093	308,293
2030-2034	168,400	139,059	307,459
2035-2039	209,900	96,662	306,562
2040-2044	261,400	43,853	305,253
2045	59,600	1,341	60,941
Totals	\$ 942,800	\$654,912	\$1,597,712

Sewer Fund – Series 1995-A Revenue Bond

The City of Loyalton issued \$1,256,500 in revenue bonds on February 1, 1995 through Rural Economic and Community Development Service to provide funds for the construction of various water system improvements.

The payments are secured by a pledge of the net revenues of the City's sewer system as provided in the installment purchase contract. The interest rate is 4.5% with payment due dates of February 1 and August 1 and final payment due August 1, 2034.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2019 are as follows:

Fiscal Year End	Principal	Interest	Total
June 30,			
2020	\$ 34,800	\$ 34,029	\$ 68,829
2021	36,000	32,436	68,436
2022	37,500	30,782	68,282
2023	38,600	29,070	67,670
2024	40,900	27,281	68,181
2025-2029	232,500	106,580	339,080
2030-2034	288,100	48,202	336,302
2035	65,138	1,467	66,605
Totals	\$ 773,538	\$309,848	\$ 1,083,386

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 6: Long-term Liabilities (Continued)

Sewer Fund – Series 1995-B Revenue Bond

The City of Loyalton issued \$186,200 in revenue bonds on February 1, 1995 through Rural Economic and Community Development Service to provide funds for the construction of various water system improvements.

The payments are secured by a pledge of the net revenues of the City's sewer system as provided in the installment purchase contract. The interest rate is 4.5% with payment due dates of February 1 and August 1 and final payment due August 1, 2034.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2019 are as follows:

Fiscal Year End	Principal	Interest	Total
June 30,			
2020	\$ 4,800	\$ 5,099	\$ 9,899
2021	5,100	4,876	9,976
2022	5,300	4,642	9,942
2023	5,600	4,397	9,997
2024	6,300	4,271	10,571
2025-2029	35,700	16,844	52,544
2030-2034	43,200	8,141	51,341
2035	9,691	437	10,128
Totals	\$ 115,691	\$ 48,704	\$ 164,395

Sewer Fund – 2009 Certificate of Participation

The City of Loyalton issued \$3,569,000 in certificates of participation on February 1, 2010 through Rural USDA to provide funds for the construction of various sewer system improvements.

The installment payments are secured by a pledge of the net revenues of the City's water system as provided in the installment purchase contract. The interest rate is 2.5% with payment due dates of February 1 and August 1 and final payment due August 1, 2049.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2019 are as follows:

Fiscal Year End	Principal	Interest	Total
June 30,			
2020	\$ 67,000	\$ 76,388	\$ 143,388
2021	69,000	74,688	143,688
2022	71,000	72,938	143,938
2023	72,000	71,150	143,150
2024	74,000	70,250	144,250
2025-2029	400,000	322,500	722,500
2030-2034	452,000	269,975	721,975
2035-2039	511,000	210,575	721,575
2040-2044	578,000	143,400	721,400
2045-2049	654,000	67,475	721,475
2050	141,000	1,763	142,763
Totals	\$3,089,000	\$1,381,100	\$ 4,470,100

CITY OF LOYALTON

**Notes to the Financial Statements
June 30, 2019**

Note 7: Defined Benefit Pension Plan

On November 16, 2016, the CalPERS Board of Administration declared the city of Loyalton in default of its obligation to CalPERS. Effective January 2018, CalPERS reduced the retirement benefits paid to City of Loyalton retirees', pursuant to Government code section 20577 to 40% of retiree' base pension benefit, as subject to cost of living adjustments as calculated by CalPERS ("Reduced Benefit Amount".)

Per a subsequent settlement agreement with three City of Loyalton retirees, beginning April 2019, and on a monthly basis thereafter, The City of Loyalton has agreed to pay an amount equal to 1.075 times the monthly Reduced Benefit Amount for the three retirees. In no event shall Loyalton's monthly payment, when combined with CalPERS' monthly payment, exceed 83% of the three retirees Base Pension or Survivor Benefit (whichever is applicable). Loyalton's obligations under this Agreement shall cease once CalPERS ceases making payments to the retirees or their designated survivors. Furthermore, per the settlement agreement, the City agreed to pay a combined \$73,946.74 to the three retirees as settlement of all potential claims related to the pension retirement benefits.

Note 8: Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. The interfund balances are not expected to be repaid within one year of the balance sheet date.

Interfund transactions for the fiscal year ended June 30, 2019 are summarized as follows:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ 300,512	\$ 458,256
Special Revenue Funds	58,639	215,261
Enterprise Funds	429,552	115,186
Totals	<u>\$ 788,703</u>	<u>\$ 788,703</u>

Note 9: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

The gas tax fund had a deficit fund balance of \$83,441 at June 30, 2019. The deficit fund balance is expected to be eliminated upon receipt of future funding or transfers from the general fund.

B. Expenditures over Budgeted Appropriations

Actual general fund expenditures were over the approved appropriations budget by \$258,462. Actual Gas Tax Fund expenditures exceeded the approved appropriations budget by \$31,946.

CITY OF LOYALTON

Notes to the Financial Statements
June 30, 2019

Note 10: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City’s ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 11: Related Party Transactions

The City currently is operating without a City Manager and members of the City Council have taken on the job duties normally performed by a City Manager. The members of the City Council are not compensated for taking on these duties in excess of the approved stipend per meeting received by all City Council members.

Note 12: Gann Limit

Proceeds subject to the limit for 2018-19	\$ 237,235
Amount of limit for 2018-19	<u>1,133,595</u>
Amount (under)/over the limit	<u>\$ (896,360)</u>

Note 13: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Commitments

The City had ongoing engineering and professional service commitments as of June 30, 2019.

Note 14: Subsequent Events

The City paid a \$79,263 deposit on January 7, 2020 as partial payment for the purchase of a water tender. The total contract price is \$239,869. The remaining balance of \$162,606 will be paid during the 2020/21 fiscal year.

The City borrowed \$70,000 with a capital lease on April 24, 2020 to be used as partial financing for the purchase of the water tender. Five payments of \$15,536.20 will commence on April 24, 2021 and end on April 24, 2025. The annual interest rate on the capital lease is 3.574%.

COVID 19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of City of Loyalton could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

The City of Loyalton management has evaluated subsequent events through October 4, 2020, the date the financial statements were available to be issued.

CITY OF LOYALTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 101,790	\$ 101,790	\$ 128,568	\$ 26,778
Licenses and permits	8,630	8,630	12,125	3,495
Intergovernmental	66,260	66,260	419,816	353,556
Charges for current services	21,500	21,500	36,174	14,674
Use of money and property	18,973	18,973	436	(18,537)
Other	10,300	10,300	11,643	1,343
Total Revenue	227,453	227,453	608,762	381,309
Expenditures				
Current:				
General government	69,830	69,830	58,043	11,787
Public safety	30,300	30,300	292,005	(261,705)
Health and sanitation			341	(341)
Culture and recreation	10,800	10,800	19,003	(8,203)
Capital Outlay			-	-
Total Expenditures	110,930	110,930	369,392	(258,462)
Excess of Revenues over Expenditures	116,523	116,523	239,370	122,847
Other Financing Sources (Uses)				
Operating transfers out	(160,795)	(160,795)		160,795
Total Other Financing Sources (Uses)	(160,795)	(160,795)		160,795
Net Change in Fund Balance	\$ (44,272)	\$ (44,272)	239,370	\$ 283,642
Fund Balance, Beginning of Fiscal Year			418,309	
Fund Balance, End of Fiscal Year			\$ 657,679	

CITY OF LOYALTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GAS TAX FUND
JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 19,647	\$ 19,647	\$ 33,745	\$ 14,098
Total Revenue	<u>19,647</u>	<u>19,647</u>	<u>33,745</u>	<u>14,098</u>
Expenditures				
Current:				
Highways and streets	37,990	37,990	69,936	(31,946)
Total Expenditures	<u>37,990</u>	<u>37,990</u>	<u>69,936</u>	<u>(31,946)</u>
Excess of Revenues over Expenditures	<u>(18,343)</u>	<u>(18,343)</u>	<u>(36,191)</u>	<u>(17,848)</u>
Other Financing Sources (Uses)				
Operating transfers in	18,343	18,343		(18,343)
Total Other Financing Sources (Uses)	<u>18,343</u>	<u>18,343</u>		<u>(18,343)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(36,191)</u>	<u>\$ (36,191)</u>
Fund Balance, Beginning of Fiscal Year			<u>(47,250)</u>	
Fund Balance, End of Fiscal Year			<u>\$ (83,441)</u>	

CITY OF LOYALTON
Note to Required Supplementary Information
June 30, 2019

Budgets and Budgetary Accounting

As required by State law the City prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the source of financing.

The budgets for the general fund and Gas Tax fund are adopted on the modified accrual basis of accounting. The budget for the general fund and Gas Tax fund are the only legally adopted budgets. Appropriations lapse at fiscal year-end.

The budgetary data presented in the final budgeted amount in the accompanying financial statements includes all revisions approved by the City Council.

