

**CITY OF LOYALTON**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**CITY OF LOYALTON**

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**CITY OF LOYALTON**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and investments	\$ 338,596	\$ 2,504,211	\$ 2,842,807
Prepaid expense		45,024	45,024
Accounts receivable	25,577	51,505	77,082
Grants receivable		6,890	6,890
Restricted cash and investments		350,878	350,878
<b>Total current assets</b>	<b>364,173</b>	<b>2,958,508</b>	<b>3,322,681</b>
<b>Non Current Assets</b>			
Loans receivable	2,764		2,764
Internal balances	427,864	(427,864)	-
<b>Capital assets:</b>			
Land	55,293	373,319	428,612
Construction in Progress		180,675	180,675
Buildings	867,070	415,920	1,282,990
Site improvements	2,363,686	11,030,870	13,394,556
Equipment	856,842	810,184	1,667,026
Less: accumulated depreciation	(1,661,801)	(5,556,716)	(7,218,517)
<b>Total capital assets</b>	<b>2,481,090</b>	<b>7,254,252</b>	<b>9,735,342</b>
<b>Total non current assets</b>	<b>2,911,718</b>	<b>6,826,388</b>	<b>9,738,106</b>
<b>Total assets</b>	<b>3,275,891</b>	<b>9,784,896</b>	<b>13,060,787</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	100,531	13,505	114,036
Accrued wages	4,523		4,523
Accrued interest payable		61,615	61,615
Unearned revenue-advance	88,692		88,692
Long-term liabilities-due within one year	13,034	130,800	143,834
<b>Total current liabilities</b>	<b>206,780</b>	<b>205,920</b>	<b>412,700</b>
<b>Liabilities-due in more than one year:</b>			
Capital lease	56,966		56,966
Note payable		849,629	849,629
Certificate of participation		3,814,200	3,814,200
<b>Total liabilities due in more than one year</b>	<b>56,966</b>	<b>4,663,829</b>	<b>4,720,795</b>
<b>Total liabilities</b>	<b>263,746</b>	<b>4,869,749</b>	<b>5,133,495</b>
<b>Net Position</b>			
Net investment in capital assets	2,468,056	2,459,623	4,927,679
Restricted for debt service		350,878	350,878
Unrestricted	544,089	2,104,646	2,648,736
<b>Total net position</b>	<b>\$ 3,012,145</b>	<b>\$ 4,915,147</b>	<b>\$ 7,927,292</b>

The accompanying notes are an integral part of these financial statements

**CITY OF LOYALTON**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2020**

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 118,712	\$ 13,172	\$ -	\$ (105,540)	\$ -	\$ (105,540)
Public safety	237,984	49,470	44,743	(143,771)		(143,771)
Public works	1,793	-		(1,793)		(1,793)
Health and welfare-cemetery	248	500		252		252
Streets and roads	62,216	21,732	14,304	(26,180)		(26,180)
Culture/recreation	49,133	240		(48,893)		(48,893)
<b>Total governmental activities</b>	<b>470,087</b>	<b>85,114</b>	<b>59,047</b>	<b>(325,926)</b>		<b>(325,926)</b>
<b>Business-type Activities:</b>						
Water	277,992	274,607			(3,385)	(3,385)
Sewer	460,523	366,850			(93,673)	(93,673)
Interest on long-term debt	151,231				(151,231)	(151,231)
<b>Total business-type activities</b>	<b>889,746</b>	<b>641,457</b>			<b>(248,289)</b>	<b>(248,289)</b>
<b>Total Government</b>	<b>\$1,359,833</b>	<b>\$ 726,571</b>	<b>\$ 59,047</b>	<b>(325,926)</b>	<b>(248,289)</b>	<b>(574,215)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes				51,939		51,939
Sales and use tax				59,683		59,683
Franchise tax				-		-
Motor vehicle in lieu tax				28,834		28,834
Other				6,973		6,973
Sale of property					1,000	1,000
Investment income				11,467	44,137	55,604
<b>Total general revenues</b>				<b>158,896</b>	<b>45,137</b>	<b>204,033</b>
<b>Change in net position before extraordinary item</b>				<b>(167,030)</b>	<b>(203,152)</b>	<b>(370,182)</b>
Extraordinary item-Beckwith road					(152,436)	(152,436)
<b>Change in net position</b>				<b>(167,030)</b>	<b>(355,588)</b>	<b>(522,618)</b>
Net position - beginning of fiscal year				3,170,557	5,270,735	8,441,292
Prior period adjustment				8,618		8,618
<b>Net position - end of fiscal year</b>				<b>\$ 3,012,145</b>	<b>\$4,915,147</b>	<b>\$7,927,292</b>

The accompanying notes are an integral part of these financial statements

**CITY OF LOYALTON**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2020**

	General	Major Special Revenue Funds		Total Governmental Funds
		Gas Tax	CDBG	
<b><u>Assets</u></b>				
Cash and investments	\$ 312,721	\$ -	\$ 25,875	\$ 338,596
Receivables				
Accounts	25,577			25,577
Loans			2,764	2,764
Due from other funds	575,798	18,974	196,287	791,059
<b>Total assets</b>	<b>\$ 914,096</b>	<b>\$ 18,974</b>	<b>\$ 224,926</b>	<b>\$ 1,157,996</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 98,702	\$ 1,829	\$ -	\$ 100,531
Accrued payroll	4,523			4,523
Unearned revenue-advance	33,227	55,465		88,692
Due to other funds	300,512	62,683		363,195
<b>Total liabilities</b>	<b>436,964</b>	<b>119,977</b>		<b>556,941</b>
<b><u>Fund Balances</u></b>				
Nonspendable for loans receivable			2,764	2,764
Assigned for special revenue funds			222,162	222,162
Unassigned	477,132	(101,003)		376,129
<b>Total fund balances</b>	<b>477,132</b>	<b>(101,003)</b>	<b>224,926</b>	<b>601,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 914,096</b>	<b>\$ 18,974</b>	<b>\$ 224,926</b>	<b>\$ 1,157,996</b>

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, 2020**

Fund balances of governmental funds	\$	601,055
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.		2,481,090
Long-term debt is not payable in the current period and therefore is not reported in the funds		(70,000)
Net position of governmental activities	\$	<u>3,012,145</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, 2020**

	General	Major Special Revenue Funds		Total Governmental Funds
		Gas Tax	CDBG	
<b>Revenues</b>				
Taxes	\$ 140,448	\$ -	\$ -	\$ 140,448
Licenses and permits	4,926			4,926
Intergovernmental	44,743	36,036		80,779
Charges for current services	69,268			69,268
Use of money and property	411		11	422
Other	7,213			7,213
<b>Total revenues</b>	<b>267,009</b>	<b>36,036</b>	<b>11</b>	<b>303,056</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	43,310			43,310
Public safety	217,958			217,958
Health and sanitation	248			248
Highways and streets		62,216		62,216
Culture and recreation	14,170			14,170
Capital outlay	241,869			241,869
<b>Total expenditures</b>	<b>517,556</b>	<b>62,216</b>	<b>-</b>	<b>579,772</b>
<b>Excess (deficit) of revenues over expenditures before other financing sources (uses)</b>	<b>(250,547)</b>	<b>(26,180)</b>	<b>11</b>	<b>(276,716)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of debt	70,000			70,000
<b>Total other financing sources (uses)</b>	<b>70,000</b>	<b>-</b>	<b>-</b>	<b>70,000</b>
<b>Net change in fund balances</b>	<b>(180,547)</b>	<b>(26,180)</b>	<b>11</b>	<b>(206,716)</b>
<b>Fund balances, beginning of fiscal year</b>	<b>657,679</b>	<b>(83,441)</b>	<b>224,915</b>	<b>799,153</b>
<b>Prior period adjustment</b>		<b>8,618</b>		<b>8,618</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ 477,132</b>	<b>\$ (101,003)</b>	<b>\$ 224,926</b>	<b>\$ 601,055</b>

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, 2020

Net change in fund balances - total governmental funds \$ (206,716)

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	241,869
Depreciation expense	(132,184)

Proceeds of debt is recorded as other financing sources in the fund financial statements, however the debt is recorded as a liability in the statement of net position	(70,000)
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Change in net position of governmental activities	<u>\$ (167,030)</u>
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**CITY OF LOYALTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<b>Current Assets:</b>			
Cash and investments	\$ 150,717	\$ 2,353,494	\$ 2,504,211
Restricted cash and investments	61,887	288,991	350,878
Prepaid expense		45,024	45,024
Receivables			
Accounts (net of allowance for doubtful accounts)	26,456	25,049	51,505
Interest receivable		6,890	6,890
Due from other funds	71,963	43,223	115,186
Total current assets	<u>311,023</u>	<u>2,762,671</u>	<u>3,073,694</u>
<b>Capital assets:</b>			
<b>Nondepreciable Capital Assets:</b>			
Land		373,319	373,319
Construction in progress		180,675	180,675
<b>Depreciable Capital Assets</b>			
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>(1,283,370)</u>	<u>(4,273,346)</u>	<u>(5,556,716)</u>
Total capital assets (net of accumulated depreciation)	<u>1,671,517</u>	<u>5,582,735</u>	<u>7,254,252</u>
Total assets	<u>1,982,540</u>	<u>8,345,406</u>	<u>10,327,946</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	8,816	4,689	13,505
Due to other funds	158,707	384,343	543,050
Current portion - long term liabilities	20,700	110,100	130,800
Interest payable	13,845	47,770	61,615
Total current liabilities	<u>202,068</u>	<u>546,902</u>	<u>748,970</u>
<b>Noncurrent Liabilities:</b>			
Bonds payable		849,629	849,629
Certificates of participation	902,300	2,911,900	3,814,200
Total noncurrent liabilities	<u>902,300</u>	<u>3,761,529</u>	<u>4,663,829</u>
Total liabilities	<u>1,104,368</u>	<u>4,308,431</u>	<u>5,412,799</u>
<b>Net Position:</b>			
Net investment in capital assets	748,517	1,711,106	2,459,623
Restricted for debt service	61,887	288,991	350,878
Unrestricted	67,768	2,036,878	2,104,646
Total net position	<u>\$ 878,172</u>	<u>\$ 4,036,975</u>	<u>\$ 4,915,147</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, 2020**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 274,607	\$ 366,850	\$ 641,457
 Total operating revenues	<u>274,607</u>	<u>366,850</u>	<u>641,457</u>
Operating Expenses			
Salaries and benefits	75,051	106,492	181,543
Services and supplies	131,172	143,679	274,851
Depreciation expense	71,769	210,352	282,121
 Total operating expenses	<u>277,992</u>	<u>460,523</u>	<u>738,515</u>
 Operating Income (Loss)	<u>(3,385)</u>	<u>(93,673)</u>	<u>(97,058)</u>
Non-Operating Revenues (Expenses)			
Interest income	323	43,814	44,137
Interest expense	(41,684)	(109,547)	(151,231)
Gain on sale of assets		1,000	1,000
 Total non-operating revenues (expenses)	<u>(41,361)</u>	<u>(64,733)</u>	<u>(106,094)</u>
 Net income before extraordinary item	<u>(44,746)</u>	<u>(158,406)</u>	<u>(203,152)</u>
 Extraordinary item-Beckwith road		<u>(152,436)</u>	<u>(152,436)</u>
 Decrease in net position	<u>(44,746)</u>	<u>(310,842)</u>	<u>(355,588)</u>
 Net position, beginning of fiscal year	<u>922,918</u>	<u>4,347,817</u>	<u>5,270,735</u>
 Net position, end of fiscal year	<u>\$ 878,172</u>	<u>\$ 4,036,975</u>	<u>\$ 4,915,147</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LOYALTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Water	Sewer	Totals
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 274,793	\$ 373,428	\$ 648,221
Cash payments to suppliers	(129,809)	(181,520)	(311,329)
Cash payments to employees	(76,618)	(109,628)	(186,246)
Net cash provided by (used for) operating activities	<u>68,366</u>	<u>82,280</u>	<u>150,646</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund activity	<u>5,119</u>	<u>108,379</u>	<u>113,498</u>
Net cash provided by (used for) noncapital financing activities	<u>5,119</u>	<u>108,379</u>	<u>113,498</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of fixed assets		(86,378)	(86,378)
Extraordinary item-Beckwith road repair		(152,436)	(152,436)
Reductions of debt	(19,800)	(106,600)	(126,400)
Sale of assets		1,000	1,000
Interest expense	(41,981)	(115,512)	(157,493)
Net cash provided by (used for) capital and related financing activities	<u>(61,781)</u>	<u>(459,926)</u>	<u>(521,707)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest income	<u>323</u>	<u>44,656</u>	<u>44,979</u>
Net cash provided by investing activities	<u>323</u>	<u>44,656</u>	<u>44,979</u>
Net increase (decrease) in cash and cash equivalents	12,027	(224,611)	(212,584)
Cash and cash equivalents, beginning of fiscal year	200,577	2,867,096	3,067,673
Cash and cash equivalents, end of fiscal year	<u>\$ 212,604</u>	<u>\$ 2,642,485</u>	<u>\$ 2,855,089</u>
<b>Reconciliation of Cash and Cash Equivalents:</b>			
Cash and investments	\$ 150,717	\$ 2,353,494	\$ 2,504,211
Restricted cash and investments	61,887	288,991	350,878
Total cash and cash equivalents	<u>\$ 212,604</u>	<u>\$ 2,642,485</u>	<u>\$ 2,855,089</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (used for) operating activities</b>	\$ (3,385)	\$ (93,673)	\$ (97,058)
Adjustments to operating income:			
Depreciation	71,769	210,352	282,121
(Increase) decrease in accounts receivable	186	6,578	6,764
(Increase) decrease in prepaid expense		5,628	5,628
Increase (decrease) in accounts payable	1,363	(43,469)	(42,106)
Increase (decrease) in accrued payroll			-
Increase (decrease) in compensated absences	(1,567)	(3,136)	(4,703)
Net cash provided by (used for) operating activities	<u>\$ 68,366</u>	<u>\$ 82,280</u>	<u>\$ 150,646</u>

The accompanying notes are an integral part of these financial statements

# CITY OF LOYALTON

## Notes to the Financial Statements June 30, 2020

### 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, 2020

### 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, 2020**

**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, 2020

### 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.

Proprietary Funds – Proprietary funds record expenditures for compensated absences as they are taken by employees.

#### 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 streets, housing and rehabilitation. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with 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, 2020

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, 2020, 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, 2020, consisted of the following:

Cash and investments	\$ 2,842,807
Restricted cash and investments	350,878
Total per statement of activities	<u>\$ 3,193,685</u>
Checking account	\$ 623,591
Imprest cash	450
Savings	528,306
LAIF	2,041,338
Total cash and investments	<u>\$ 3,193,685</u>



**CITY OF LOYALTON**

**Notes to the Financial Statements  
June 30, 2020**

**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 an 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*	\$ 2,041,338	\$ 2,041,338	\$ -
Totals	\$ 2,041,338	\$ 2,041,338	\$ -

\*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, 2020**

Note 2: Cash and Investments (Continued)

D. Custodial Credit Risk (Continued)

At June 30, 2020, the City's deposits balance was \$1,166,843 and the carrying amount was \$1,151,897. 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

LAIF 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, 2020**

**Note 4: Capital Assets**

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2020</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 55,293	\$ -	\$ -	\$ 55,293
Capital assets, being depreciated:				
Buildings and improvements	2,363,686			2,363,686
Site improvements	867,070			867,070
Equipment	614,973	241,869		856,842
Total capital assets, being depreciated	<u>3,845,729</u>	<u>241,869</u>		<u>4,087,598</u>
Less accumulated depreciation for:				
Buildings and improvements	(781,812)	(77,650)		(859,462)
Site Improvements	(387,277)	(31,328)		(418,605)
Equipment	(360,529)	(23,205)		(383,734)
Total accumulated depreciation	<u>(1,529,618)</u>	<u>(132,183)</u>		<u>(1,661,801)</u>
Total capital assets, being depreciated, net	<u>2,316,111</u>	<u>109,686</u>		<u>2,425,797</u>
Governmental activities capital assets, net	<u>\$ 2,371,404</u>	<u>\$ 109,686</u>	<u>\$ -</u>	<u>\$ 2,481,090</u>
<b>Business-Type Activities</b>				
<b>Water</b>				
Capital assets, being depreciated:				
Site improvements	\$ 2,787,734	\$ -	\$ -	\$ 2,787,734
Equipment	167,153			167,153
Total capital assets, being depreciated	<u>2,954,887</u>			<u>2,954,887</u>
Less accumulated depreciation	<u>(1,211,601)</u>	<u>(71,769)</u>		<u>(1,283,370)</u>
Total capital assets, being depreciated, net	<u>1,743,286</u>	<u>(71,769)</u>		<u>1,671,517</u>
Water capital assets, net	<u>\$ 1,743,286</u>	<u>\$ (71,769)</u>	<u>\$ -</u>	<u>\$ 1,671,517</u>
<b>Sewer</b>				
Capital assets, not being depreciated:				
Land	\$ 373,319	\$ -	\$ -	\$ 373,319
Construction in progress	94,297	86,378		180,675
Capital assets, being depreciated:				
Buildings	415,920			415,920
Site improvements	8,243,136			8,243,136
Equipment	643,031			643,031
Total capital assets, being depreciated	<u>9,302,087</u>	<u>-</u>	<u>-</u>	<u>9,302,087</u>
Less accumulated depreciation	<u>(4,062,994)</u>	<u>(210,352)</u>		<u>(4,273,346)</u>
Total capital assets, being depreciated, net	<u>5,239,093</u>	<u>(210,352)</u>		<u>5,028,741</u>
Sewer capital assets, net	<u>\$ 5,706,709</u>	<u>\$ (123,974)</u>	<u>\$ -</u>	<u>\$ 5,582,735</u>

**CITY OF LOYALTON**

**Notes to the Financial Statements  
June 30, 2020**

**Note 4: Capital Assets (Continued)**

**Depreciation**

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

General government	\$ 75,401
Public safety	20,026
Streets and roads	1,793
Parks	<u>34,963</u>
<b>Total</b>	<b><u>\$ 132,183</u></b>

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 Loyaltan 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**

**Governmental-Type Activities:**

A summary of changes in the City's governmental-type activities long-term liabilities for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Capital leases	\$ -	\$ 70,000	\$ -	\$ 70,000	\$ 13,034
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ 70,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 70,000</u></b>	<b><u>\$ 13,034</u></b>

During the 2019-20 fiscal year, the City purchased a fire tender water truck for \$241,869, paying \$171,869 cash and \$70,000 with a capital lease. The capital lease agreement was executed on April 24, 2020 with 5 annual payments of \$15,536 including interest, starting April 24, 2021 through April 24, 2025, with an interest rate of 3.574%.

Future annual requirements to amortize the long-term debt outstanding as of June 30, 2020 are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2021	\$ 13,034	\$ 2,502	\$ 143,688
2022	13,500	2,036	143,938
2023	13,983	1,553	143,150
2024	14,482	1,054	144,250
2025	15,000	536	15,536
<b>Totals</b>	<b><u>\$ 70,000</u></b>	<b><u>\$ 7,681</u></b>	<b><u>\$ 590,561</u></b>

**CITY OF LOYALTON**

**Notes to the Financial Statements  
June 30, 2020**

**Note 6: Long-term Liabilities (Continued)**

**Business-Type Activities:**

A summary of changes in the City's business-type activities long-term liabilities for the year ended June 30, 2020:

<b>Water Fund</b>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,567	\$ -	\$ (1,567)	\$ -	\$ -
2004 COP	942,800		(19,800)	923,000	20,700
<b>Total</b>	<u>\$ 944,367</u>	<u>\$ -</u>	<u>\$ (21,367)</u>	<u>\$ 923,000</u>	<u>\$ 20,700</u>

<b>Sewer Fund</b>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Compensated absences	\$ 3,136	\$ -	\$ (3,136)	\$ -	\$ -
1995A Sewer revenue bond	773,538		(34,800)	738,738	36,000
1995B Sewer revenue bond	115,691		(4,800)	110,891	5,100
2009 COP	3,089,000		(67,000)	3,022,000	69,000
<b>Total</b>	<u>\$ 3,981,365</u>	<u>\$ -</u>	<u>\$ (109,736)</u>	<u>\$ 3,871,629</u>	<u>\$ 110,100</u>

**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, 2020 are as follows:

<b>Fiscal Year End</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
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	24,700	36,997	61,697
2026-2030	141,300	166,871	308,171
2031-2035	176,000	131,310	307,310
2036-2040	219,300	87,005	306,305
2041-2045	273,200	31,824	305,024
<b>Totals</b>	<u>\$ 923,000</u>	<u>\$612,932</u>	<u>\$1,535,932</u>

**CITY OF LOYALTON**

**Notes to the Financial Statements  
June 30, 2020**

Note 6: Long-term Liabilities (Continued)

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, 2020 are as follows:

Fiscal Year End			
June 30,	Principal	Interest	Total
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	42,600	25,403	68,003
2026-2030	242,700	95,888	338,588
2031-2035	300,438	34,958	335,396
Totals	<u>\$ 738,738</u>	<u>\$275,819</u>	<u>\$ 1,014,557</u>

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, 2020 are as follows:

Fiscal Year End			
June 30,	Principal	Interest	Total
2021	\$ 5,100	\$ 4,876	\$ 9,976
2022	5,300	4,642	9,942
2023	5,600	4,397	9,997
2024	6,300	4,129	10,429
2025	6,600	3,839	10,439
2026-2030	37,200	14,400	51,600
2031-2035	44,791	5,189	49,980
Totals	<u>\$ 110,891</u>	<u>\$ 41,470</u>	<u>\$ 152,361</u>

**CITY OF LOYALTON**

**Notes to the Financial Statements  
June 30, 2020**

**Note 6: Long-term Liabilities (Continued)**

**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, 2020 are as follows:

Fiscal Year End			
June 30,	Principal	Interest	Total
2021	\$ 69,000	\$ 74,688	\$ 143,688
2022	71,000	72,938	143,938
2023	72,000	71,150	143,150
2024	74,000	69,325	144,250
2025	76,000	67,450	143,450
2026-2030	410,000	307,375	717,375
2031-2035	463,000	252,888	715,888
2036-2040	524,000	191,250	715,250
2041-2045	592,000	121,550	713,550
2046-2050	671,000	42,738	713,738
Totals	<u>\$3,022,000</u>	<u>\$1,271,350</u>	<u>\$ 4,294,275</u>

**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.

CITY OF LOYALTON

Notes to the Financial Statements  
June 30, 2020

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, 2020 are summarized as follows:

	<u>Other Funds</u>	<u>Other Funds</u>
General Fund	\$ 300,512	\$ 575,798
Special Revenue Funds	62,683	215,261
Enterprise Funds	543,050	115,186
Totals	<u>\$ 906,245</u>	<u>\$ 906,245</u>

Note 9: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

The gas tax fund had a deficit fund balance of \$101,003 at June 30, 2020. 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 \$358,771. Actual gas tax fund expenditures exceeded the approved appropriations budget by \$3,410.

C. Prior Period Adjustment

A prior period adjustment was made increasing fund balance \$8,618 in the gas tax fund, to account for revenue that should have been recognized in the 2018/19 fiscal year from the FEMA/OES advance grant funding recorded as deferred revenue.

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



**CITY OF LOYALTON**

**Notes to the Financial Statements**

**June 30, 2020**

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 2019-20	\$ 210,244
Amount of limit for 2019-20	1,174,060
Amount (under)/over the limit	<u>\$ (963,816)</u>
Per Capita Percentage Change	3.85%
Population Change	-0.27%

Note 13: Extraordinary Item

An extraordinary item was recorded in the sewer fund to account for a sewer pipeline that was damaged during the sewer pond repair work. The cost reflects the repair to the sewer line and the cost to repair the road, which had to be removed to access the pipeline.

Note 14: 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, 2020.

Note 15: Subsequent Events

**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 July 29, 2021, the date the financial statements were available to be issued.

**CITY OF LOYALTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 125,400	\$ 125,400	\$ 140,448	\$ 15,048
Licenses and permits	6,750	6,750	4,926	(1,824)
Intergovernmental	50,000	50,000	44,743	(5,257)
Charges for current services	3,200	3,200	69,268	66,068
Use of money and property	60,500	60,500	411	(60,089)
Other	6,500	6,500	7,213	713
<b>Total revenue</b>	<u>252,350</u>	<u>252,350</u>	<u>267,009</u>	<u>14,659</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	78,903	78,903	43,310	35,593
Public safety	53,730	53,730	217,958	(164,228)
Health and sanitation	1,700	1,700	248	1,452
Culture and recreation	24,452	24,452	14,170	10,282
<b>Capital Outlay</b>			<u>241,869</u>	<u>(241,869)</u>
<b>Total expenditures</b>	<u>158,785</u>	<u>158,785</u>	<u>517,556</u>	<u>(358,771)</u>
<b>Excess (deficit) of revenues over expenditures before other financing sources (uses)</b>	<u>93,565</u>	<u>93,565</u>	<u>(250,547)</u>	<u>(344,112)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of debt			70,000	70,000
Operating transfers out	(30,306)	(30,306)		30,306
<b>Total other financing     sources (uses)</b>	<u>(30,306)</u>	<u>(30,306)</u>	<u>70,000</u>	<u>100,306</u>
<b>Net change in fund balance</b>	<u>\$ 63,259</u>	<u>\$ 63,259</u>	<u>(180,547)</u>	<u>\$ (243,806)</u>
<b>Fund balance, beginning of fiscal year</b>			<u>657,679</u>	
<b>Fund balance, end of fiscal year</b>			<u>\$ 477,132</u>	

**CITY OF LOYALTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GAS TAX FUND**  
**JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 28,500	\$ 28,500	\$ 36,036	\$ 7,536
Total revenue	<u>28,500</u>	<u>28,500</u>	<u>36,036</u>	<u>7,536</u>
Expenditures				
Current:				
Highways and streets	58,806	58,806	62,216	(3,410)
Total expenditures	<u>58,806</u>	<u>58,806</u>	<u>62,216</u>	<u>(3,410)</u>
Excess of revenues over expenditures	<u>(30,306)</u>	<u>(30,306)</u>	<u>(26,180)</u>	<u>4,126</u>
Other Financing Sources (Uses)				
Operating transfers in	30,306	30,306		(30,306)
Total other financing sources (uses)	<u>30,306</u>	<u>30,306</u>		<u>(30,306)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(26,180)</u>	<u>\$ (26,180)</u>
Fund balance, beginning of fiscal year			(83,441)	
Prior period adjustment			<u>8,618</u>	
Fund balance, end of fiscal year			<u>\$ (101,003)</u>	

**CITY OF LOYALTON**  
**Note to Required Supplementary Information**  
**June 30, 2020**

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.