



President
Mr. Wes Heathcock
Town of Loomis

Vice President
Todd Juhasz
City of Mt. Shasta

Secretary
Ms. Jenny Coelho
City of Tulelake

Treasurer
Mr. Blake Michaelsen
City of Dunsmuir

SMALL CITIES ORGANIZED RISK EFFORT SPECIAL EXECUTIVE COMMITTEE TELECONFERENCE MEETING AGENDA

Date/Time: Tuesday, June 10, 2025 at 1:00 P.M.
Location: TELECONFERENCE
Call in number: 877-853-5257 (Toll Free)
Conference Code: 999 6515 6246

A	Action
I	Information
1	Attached
2	Hand Out
3	Separate Cover
4	Verbal

<https://alliantinsurance.zoom.us/j/99965156246?pwd=jUymDpvbrq7gRLheNma2JRsglqLaWW.1>

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publicly accessible places, 24 hours in advance of the meeting, in each of the member agencies involved. Documents and material relating to an open session agenda item that are provided to the SCORE Board Members less than 72 hours prior to a regular meeting, will be available for public inspection and copying at 2180 Harvard Street, Suite 380, Sacramento, CA 95815. Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services, in order to participate in the meeting are requested to contact Michelle Minnick at Alliant Insurance at (916) 643-2715 at least 24 hours in advance of the meeting.

This Meeting Agenda shall be posted at the address of the teleconference locations shown below with access for the public via phone/speaker phone.

1. Town of Loomis, 3665 Taylor Rd, Loomis, CA 95650
2. City of Dunsmuir, 5915 Dunsmuir Avenue, Dunsmuir, CA 96025
3. City of Mount Shasta, 305 North Shasta Boulevard, Mount Shasta CA 96067
4. City of Shasta Lake, 4477 Main Street, Shasta Lake, CA 96019
5. City of Tulelake, 591 Main Street Tulelake, CA 96134
6. City of Isleton, 101 2nd Street, Isleton, CA 95641

PAGE A. CALL TO ORDER

B. ROLL CALL

C. APPROVAL OF AGENDA AS POSTED A 1

D. CONSENT CALENDAR A 1

All matters listed under the consent calendar are considered routine with no separate discussion necessary. Any member of the public or Board of Directors may request any item to be considered separately.

1. Executive Committee Teleconference Meeting Minutes – May 27, 2025 DRAFT

E. GENERAL ADMINISTRATION

Pg. 4 1. City of Isleton A 1
The Executive Committee will review the financial position for the City of Isleton and may recommend an action plan to address the past due balance.

F. ADJOURNMENT I 4



**Small Cities Organized Risk Effort (SCORE)
Special Executive Committee
Teleconference Meeting Minutes
May 27, 2025**

Member Cities Present:

Wes Heathcock, Town of Loomis
Blake Michaelson, City of Dunsmuir
Wendy Howard, City of Shasta Lake

Todd Juhasz, City of Mt. Shasta Lake
Jenny Coelho, City of Tulelake

Member Cities Absent:

Consultants & Guests:

Marcus Beverly, Alliant Insurance Services
Jessica Bigby, City of Isleton

Michelle Minnick, Alliant Insurance Services
Jon Kennedy, City of Isleton

A. CALL TO ORDER

Mr. Wes Heathcock called the meeting to order at 1:03 P.M.

B. ROLL CALL

The above mentioned members were present constituting a quorum.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Blake Michaelson

SECOND: Wendy Howard

**MOTION CARRIED
UNANIMOUSLY**

D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

A motion was made to approve the consent calendar.

MOTION: Blake Michaelson

SECOND: Jenny Coelho

MOTION CARRIED

***Abstain : Howard.**



F. GENERAL ADMINISTRATION

F.1. CITY OF ISLETON

Jessica Bigby provided the Executive Committee with an update regarding the City's current financial position and goals for the upcoming months including the creation of the FY 25/26 Budget. It was noted the city would like to continue payments of \$15k per month for the rest of the current fiscal year. It was additionally noted that the city is in discussion with the County to refinance their loans and they are working on streams of income. It was noted that the city has a couple options and intends to continue \$15K monthly payments for the remainder of FY 24/25 and then consider an eight month plan to pay off the additional outstanding amount.

G. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95

1. Liability

a. Kaub, Hawj Soobleej v. City of Etna – update Dunsmuir, Shasta Lake

H. REPORT FROM CLOSED SESSION

The Executive Committee returned from closed session and Mr. Heathcock reported that the above closed session items were discussed and appropriate direction was given to Staff and the Claims Administrator.

I. AJOURNMENT

The meeting was adjourned at 1:34 P.M.

NEXT MEETING DATE: June 10, 2025 Teleconference

Respectfully Submitted,

Jenny Coelho, Secretary

Date

Agenda Item E.1

CITY OF ISLETON

ACTION ITEM

ISSUE: The City of Isleton has provided the attached request for a payment plan to pay off the City's outstanding balance and to fund their FY 25/26 liability coverage. The have provided supporting documentation with their FY 25/26 budget packet and last audited financials. The Executive Committee will receive more information related to the financial status of the City of Isleton as it relates to their outstanding balance with SCORE at the meeting.

The City has made liability program payments of \$15,000 in each of the last six months and is working to build a reserve of \$60,000 to pay the property coverage portion of the FY 25/26 funding.

FISCAL IMPACT: Unknown at this time.

RECOMMENDATION: Review Isleton's request, budget, and current financial condition and recommend a payment plan to pay off the past due balance.

BACKGROUND: Isleton had a series of claims years ago that initially put them in arrears for assessments. Later they needed assistance by agreeing to a payment plan for their liability coverage, though their history of payments has been inconsistent, and members have agreed to a payment plan to catch up as recently as last August. They made a couple of payments then stopped again as three of their employees, including the City Manager and Clerk, resigned the same day, citing interference from the council.

The Board agreed to stay the Notice of Termination with the Executive Committee being tasked with exploring the city's financial position and provide a recommendation to the SCORE Board regarding the City's continued membership.

ATTACHMENTS:

1. Isleton Payment Plan Request
2. Isleton FY 25/26 Budget Packet
3. Audited Financial Statements, June 30, 2021
4. Isleton Invoice Summary as of 6/5/25



City of Isleton

101 Second Street

P.O. Box 716
Tel: 916-777-7770

Isleton, California 95641

June 4, 2025

Dear Members of the SCORE Board,

I hope this message finds you well. I am writing to formally request your consideration of a payment plan for our upcoming premiums for liability and property coverage due for the next fiscal year.

We acknowledge that we remain in arrears. We have prioritized SCORE in our fiscal recovery and have stayed on track with the current payment plan. Please know that your executive committee and our management team are actively evaluating multiple options to bring our account current in the near future. Please see our attached current proposed budget. As you can see we are committed to working down debt. Also attached is our most current audit, but we understand it is stale. We are in the process of developing a timeline to complete and catch up on our outstanding audits over the coming year. We fully understand the inconvenience this has caused and sincerely apologize for falling short of expectations.

Despite these challenges, we remain committed to maintaining a strong relationship with SCORE and deeply value the continued opportunity to work with you. We respectfully ask for your continued patience and support as we navigate these financial difficulties and work toward long-term stability.

To that end, we are requesting a manageable payment plan that will allow us to resolve our outstanding balance while staying current with our future obligations.

Regarding our prior year premiums still due, we propose a payment plan over the next eight months paying down \$15,000 per month. We are working with Sacramento County and if we are able to attain a loan SCORE is a top priority for pay-off.

Regarding the premium for the 25/26 fiscal year, we have allocated \$60,000 for an upfront payment to cover the property coverage and hope the Board will consider a fair and sustainable plan for the remaining \$100,000 of liability coverage. We propose a payment plan over the next eight months paying down \$12,500 per month. This plan would allow for the remaining four months of the fiscal year to be focused on saving funds for the 26/27 SCORE premiums.

We are fully committed to resolving our obligations in good faith and would greatly appreciate the opportunity to demonstrate that commitment. Thank you again for your continued patience and for considering this request. We look forward to working collaboratively toward a mutually agreeable solution.

Sincerely,

Jon Kennedy
City Manager

City of Isleton
2025-2026 Adopted Budget Packet



June 10, 2025

June 10, 2025

We are pleased to present the proposed City of Isleton budget for Fiscal Year 2025–2026. This budget reflects our ongoing commitment to ensuring the City’s financial stability while addressing the priorities and needs of our community.

The City continues to face significant fiscal challenges, requiring us to make difficult but necessary decisions. While the road ahead remains uncertain, we are committed to a responsible financial plan and to working collaboratively to navigate the path forward.

I would like to express sincere appreciation to the City Council and staff for their dedication, hard work, and thoughtful input throughout the budget development process.

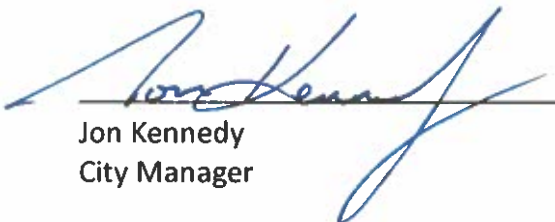
This document serves as the City’s financial roadmap for the upcoming fiscal year. It outlines our key priorities, provides transparency to our residents, and supports the effective delivery of essential public services.

Key Priorities of the FY 2025–2026 Budget:

1. **Financial Stability** – Focus on reducing debt, aligning expenditures with revenues, and building a sustainable fiscal foundation.
2. **Sound Fiscal Practices** – Improve financial reporting, complete outstanding audits, and strengthen internal controls to position the City for future grants and funding opportunities.
3. **Public Safety** – Maintain and support services that ensure the health, safety, and well-being of our residents.
4. **Infrastructure and Maintenance** – Invest in the maintenance and improvement of capital assets critical to the City's operations and long-term resilience, with a focus on improvements to sewer facilities.

A balanced budget is not merely a spending plan—it is a strategic tool that authorizes expenditures based on anticipated revenues. An appropriation represents the legal authority to incur expenses, while an expenditure is the actual outlay of funds in accordance with that authority.

We present this proposed budget with a spirit of transparency, accountability, and commitment to fiscal stewardship.



Jon Kennedy
City Manager



Jessica Bigby
Finance Director

CITY OF ISLETON
GENERAL FUND 2025/26 BUDGET

City records do not allow for a clear picture of the beginning fund balance at this time. This budget was built based on projected cash inflow in the general fund. Any funds that may come in related to past receivables will likely be utilized to pay down debt. Any additional funds will be presented in future budget amendments as needed. *Revenue dependent on STA approval for allocation.
**Receipt of revenue dependent on report catch-up.

REVENUE

Sales Tax	475,000
Half Cent Sales Tax Revenue - General	85,000
Half Cent Sales Tax Revenue - Fire	85,000
Property Taxes	465,000
Measure A	71,000
Building Permits	35,000
STA Additional Measure A Funds Allocated from Sac County*	100,000
LTF**	80,000
Business Licenses	8,000
Franchise Fees - CalWaste	35,000
Franchise Fees - Other	20,000
COPS (Sac County Sheriff)	202,500
Net Revenue	1,661,500

EXPENDITURES

Payroll	182,712
Payroll Taxes	28,271
Benefits	20,177
Worker's Comp Insurance	44,646
Professional - Mgmt	108,000
Professional - Finance	180,000
Professional - Auditor	70,000
Professional - Legal	65,400
Professional - Planning (non-reimbursable)	5,000
Professional - Engineering (non-reimbursable)	5,000
Contracted Sheriff Services	245,000
Insurance - Liability SCORE	160,000
23/24 Work Comp Audit - one time	75,000
Utilities - Electricity	66,000
Utilities - Gas	12,000
Utilities - Water	32,400
Utilities - Phone & Communications	17,280
Utilities - Waste	18,000
Fuel	16,500
Public Health & Safety Supplies	10,000
Parks & Infrastructure Supplies	22,500
Administrative & Organizational Supplies	5,000
Administrative Software	7,500
Equipment	5,000
Property Tax	7,000
Training	3,500
Council Travel & Reimbursements	1,000
Memberships	2,000
Computer & Technology	9,000
Copier & Records	5,000
Repairs & Maintenance	22,500
Vehicle Maintenance	10,000
Protective Gear	5,000
Reclamation District - Assessment Fees	12,000
Professional Services	5,500
Miscellaneous	2,615
Debt Service Payments	175,000
Total Expenditures	1,661,500

NET CHANGE TO FUND BALANCE 0

CITY OF ISLETON
SEWER FUND 2025/26 BUDGET

City records do not allow for a clear picture of the beginning fund balance at this time. This budget was built based on projected cash inflow in the sewer fund. Any funds that may come in related to past receivables will likely be utilized for additional repair work and sludge removal. Any additional funds will be presented in future budget amendments as needed. Revenue dependent on proposition 218 rate increase.

REVENUE

Utility Sewer Revenue	665,520
Less: Bad Debt Expense	(113,280)
Net Revenue	552,240

EXPENDITURES

Payroll and Taxes	89,760
Worker's Comp Insurance	5,051
Testing Supplies	14,000
Tractor Lease Pymt	6,090
Computer Service	5,000
Supplies/Fuel	7,500
Generator Maintenance	3,000
Generator Environmental Fees	2,200
Pump Maintenance	12,000
Repairs	130,000
Utility Billing Coding and Contract	37,400
State Water Board	32,150
Miscellaneous	97
Debt Service Payments	207,992
Total Expenditures	552,240

NET CHANGE TO FUND BALANCE	0
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CITY OF ISLETON
GRANTS 2025/26 BUDGET

Grants below are already a part of the approved grant calendar for the City of Isleton. We are in talks with multiple agencies and will continue to pursue additional grant projects that are useful and relevant to the citizens of Isleton. Budgets for those projects will be presented with the grant details or in future budget amendments.

CalOES - Prepare California JUMPSTART Grant

REVENUE

Prepare California Grant	300,000
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EXPENDITURES

Salary & Benefits	280,000
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Computer & Grant Authorized Supplies & Materials	18,500
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Software Program	1,500
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Total Expenditures	300,000
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NET CHANGE TO FUND BALANCE	-
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Projected remainder of grant	595,343
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GRANT FOCUS: Assist the city with emergency preparedness and grant readiness.

SACOG - Main Street Road Rehabilitation and Streetscape Improvements

REVENUE

SACOG Managed Funds	319,160
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EXPENDITURES

Engineering Design Consultant Services	14,647
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Construction	304,513
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Total Expenditures	319,160
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NET CHANGE TO FUND BALANCE	-
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Projected remainder of grant	-
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GRANT FOCUS: Design, Engineer, and Construct ADA improvements on Main Street.

SACOG - Green Means Go

REVENUE

SACOG Managed Funds	94,000
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EXPENDITURES

Reimbursement for City Staff Time	19,000
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Planning Consultant Services	75,000
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Total Expenditures	94,000
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NET CHANGE TO FUND BALANCE	-
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Projected remainder of grant	-
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GRANT FOCUS: Assist the city with update to city planning ordinances.

California Emerging Technology Fund

REVENUE

CEFT Grant	11,100
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EXPENDITURES

Website Fees	9,600
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Printing and Mailing	1,500
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Total Expenditures	11,100
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NET CHANGE TO FUND BALANCE	-
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Projected remainder of grant	1,800
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GRANT FOCUS: Close the 'digital divide'.

CITY OF ISLETON
2025/2026 POSITION CONTROL

Contracted Positions

City Manager
Finance Director
City Attorney

Payroll Positions	FTE
Administrative Officer - City Services	0.80
Firefighter	1.00
Sewer Operator	0.40
Director of Public Works	1.00
Heavy Equipment Operator/Addl PW	0.50
Building Official	0.20
Chief Resilience Officer - Grant Funded	1.00
Accountant/Grant Manager - Grant Funded	1.00

CITY OF ISLETON, CALIFORNIA
Audited Financial Statements, Supplemental Information
and Compliance Reports
June 30, 2021

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CITY OF ISLETON, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Reports

June 30, 2021

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the City Council
Isleton, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Isleton, California as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Qualified
Measure A Fund	Unmodified
Supplemental Law Enforcement Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

To the City Council
City of Isleton, California

Basis for Qualified Opinion on Governmental Activities and General Fund

Management has not been able to provide sufficient information to demonstrate that the General Fund (part of Governmental Activities) has the ability to repay the Redevelopment Successor Agency within a reasonable period of time. Accounting principles generally accepted in the United States of America require that if repayment is not expected within a reasonable period of time, that the interfund balance should be reported as a transfer in to the General Fund for the amount that is not expected to be repaid within a reasonable amount of time. The balance of the General Fund from the Redevelopment Agency was \$1,109,966 at June 30, 2021.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities and General Fund” paragraph, the financial statements referred to above present fairly, in all respects, the financial position of the Governmental Activities and General Fund of the City of Isleton, as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund other than the General Fund, and the aggregate remaining fund information of the City of Isleton as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Uncertainty

As discussed in Note L to the financial statements, the City’s General Fund has a negative fund balance and a large amount of past due vendor invoices. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

To the City Council
City of Isleton, California

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not effected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Richardson & Company, LLP

July 6, 2023

BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Isleton was incorporated in 1874, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services. The voters of the City of Isleton, California, give authority and responsibility for operations to the City Council. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget, which is adopted annually by the City Council.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity: The City operates as a self-governing local government unit within the state of California. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a City Council that passes laws and determines broad policies. The Council also oversees the operations of the City and approves all budgets, fund transfers and fund balance reserves. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City's reporting entity includes the following component units:

Isleton Financing Authority: The Financing Authority issues debt on behalf of the City. The debt is backed by the City's General Fund. The Financing Authority is governed by the City Council and is reported as a blended component unit.

Redevelopment Successor Agency Private-Purpose Trust Fund: The City of Isleton Community Development Agency (the Agency) was formed as a separate legal entity under the Community Redevelopment Law. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. On March 14, 2012, the City Council elected to become Successor Agency for the redevelopment agency in accordance with the bill as part of City Resolution 2012-05. Based upon the nature of the successor agency's custodial role, it is reported as a fiduciary fund private-purpose trust fund.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements and fiduciary fund statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property taxes and grant revenue. Property taxes are considered to be available if they are collected within 60 days of the current fiscal period, while grant revenue is considered to be available if collected within 180 days of the current fiscal period. Amounts received after the availability period are reported as unavailable revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Major revenues that are determined to be susceptible to accrual include property taxes and assessments, sales taxes, franchise taxes, charges for services, intergovernmental revenues, and earnings on investments. Sales taxes collected and held by the state at year end on behalf of the government are also

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues (government mandated nonexchange transactions) are recognized when the City has satisfied all applicable eligibility requirements and if the amounts are measurable. If the grant funds are received before the revenue recognition criteria are satisfied, the unearned amounts are reported as unearned revenue.

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

The City reports the following major governmental funds:

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

Measure A Fund – The Measure A Fund is used to account for financial resources used for the maintenance or construction of bike trails and roads.

Supplemental Law Enforcement Fund – The Supplemental Law Enforcement Fund is used to account for financial resources used for law enforcement.

The City reports the following major enterprise fund:

Sewer Fund – The Sewer Fund is used to account for the operations of the City's sewer services.

The City reports the following major fiduciary fund:

Redevelopment Agency Fund – The Redevelopment Agency fund is used to account for financial resources used for the successor agency to the redevelopment agency and for the low income housing portion of the redevelopment agency.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (not including private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Private-Purpose Trust – Private Purpose Trust funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples include successor agencies for redevelopment agencies.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers or other funds for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents: Cash balances of the majority of City funds are pooled in order to maximize investment opportunities. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's overall cash balance.

Certain proceeds of enterprise funds, revenue bonds, certificates of participation, and loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments because their use is legally restricted. Restricted cash and investments are not available for general operational expenses.

For purposes of the statement of cash flows, the City considers all highly liquid investment instruments purchased with a maturity of ninety days or less to be cash and cash equivalents.

Receivables and Payables: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables.

Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Property Taxes: The County of Sacramento (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year end. Secured property taxes are levied on or before January 1 of each year. They become a lien on real property on January 1. These taxes are paid 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. Secured

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid. These taxes are secured by liens on the property being taxed.

The term “unsecured” refers to taxes on personal property other than land and buildings. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

These taxes are recognized as intergovernmental revenues only if they are received from the County within 60 days after year end for the governmental funds and are recognized when earned for government-wide presentation regardless of the timing of the related cash flows.

Capital Assets: Capital assets for governmental fund types of the City are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental funds, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, but including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized prospectively beginning July 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not included in the current year’s additions to governmental or business-type capital assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Machinery & Equipment	3 to 20 years
Infrastructure	20 to 75 years

It is the policy of the City to capitalize assets with a cost greater than \$5,000 to \$100,000, depending on the item and a useful life of at least two years. Costs of assets sold or retired and the resulting gain or loss is included in the operating statement of the related proprietary fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

Compensated Absences: The City's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. Vacation is accrued when earned in the government-wide presentation and in the proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable, are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations: Long-term liabilities of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net assets by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net assets that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria and were accrued as receivables, but the amounts were not received in the availability period.

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted Funds – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors of amounts constrained due to constitutional provisions or enabling legislation.

Committed Funds – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies, or removes the fund balance commitment.

Assigned Funds – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance maybe assigned by the City Manager with City Council approval.

Unassigned Funds – includes balances within the fund balance which has not been classified within the above mentioned categories.

Net Position: the government-wide financial statements present net position. Net position is categorized as the net investment in capital assets, 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.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position – consists of net position with constraints placed on the 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.

Unrestricted Net Position – all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following funds had deficits in fund balances or net position at June 30, 2021:

Major governmental funds:	
General Fund	\$ 1,593,056
Major enterprise funds:	
Sewer Fund	2,641

Interfund Receivables and Payables: During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Advances between funds, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Use of Estimates: The preparation of the 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 expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Information: The City Council annually adopts the budget resolution for all operating funds of the City. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Administrator. The Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts, except as indicated below. The City does not use encumbrance accounting.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Expenditures Over Appropriations: The following funds had excess expenditures over appropriations.

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Major Governmental Funds:			
General Fund	\$ 961,627	\$ 1,105,577	\$ 143,950
Nonmajor Governmental Funds:			
Gas Tax	25,000	47,475	22,475
Lighting and Landscaping Assessment District	24,000	31,280	7,280

The General Fund expenditures exceeded the budget due to conservative revenue budgets that were not up to date. The General Fund had more tax, license, and permit revenue than anticipated to cover increased expenditures in the Fire and Building departments. Both the Gas Tax and Lighting and Landscaping Assessment District exceeded appropriation due to use of available fund balance.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-03, *Leases*, for interim financial statements; 2) reporting of intra-entity transfers between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67*

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and 68, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. This Statement is applicable for items 1) and 7) above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). PPPs are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

NOTE B – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Cash represents cash on hand, demand deposits in the bank and amounts invested in the State of California Local Agency Investment Fund (LAIF). Cash and investments at June 30, 2021 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 940,605	\$ 167,407	\$ 444	\$ 1,108,456
Restricted cash		153,116		153,116
	<u>\$ 940,605</u>	<u>\$ 320,523</u>	<u>\$ 444</u>	<u>\$ 1,261,572</u>

As of June 30, 2021, the City's cash and investments consisted of the following:

Deposits in financial institutions	\$ 1,106,579
California Local Agency Investment Fund	1,877
Held by bond trustee:	
Money market mutual fund	<u>153,116</u>
Total cash and investments	<u>\$ 1,261,572</u>

Investment policy: California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – CASH AND INVESTMENTS (Continued)

	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Local agency bonds	5 years	None	10%
Mortgage-back securities	5 years	20%	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	25%	None
Negotiable certificates of deposit	5 years	30%	None
LAIF	N/A	None	None
Medium-term corporate notes	5 years	30%	None
Repurchase Agreements	365 days	None	None
Money market mutual funds	None	20%	None

The City complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

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. The City's investment in LAIF and the money market mutual fund has an average maturity of less than a year.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's only investment is in LAIF, which is not rated. The City also maintains a debt service reserve in a money market mutual fund that is not rated.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Governmental Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the carrying amount of the City's deposits was \$1,106,579 and the balance in financial institutions was \$1,167,981. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$917,981 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$193,463,490,765, which is managed by the State Treasurer. Of that amount, 2.31% 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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2021 were as follows:

Due to Other Funds	Due from Other Funds				Total
	General Fund	Measure A Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	
Major Governmental Funds					
General		\$ 179,847	\$ 38,317		\$ 218,164
Measure A				\$ 2,169	2,169
Nonmajor Governmental Funds					
Gas Tax				3,112	3,112
Local Transportation	\$ 102,997				102,997
Lightening and Landscaping Assessment District				7,879	7,879
Enterprise Fund:					
Sewer	22,934		430		23,364
	<u>\$ 125,931</u>	<u>\$ 179,847</u>	<u>\$ 38,747</u>	<u>\$ 13,160</u>	<u>\$ 357,685</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers during the year ended June 30, 2021 were as follows:

Transfers Out	Transfers In
	Sewer Enterprise Fund
Government-wide	\$ 53,561
	<u>\$ 53,561</u>

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – INTERFUND TRANSACTIONS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

During the year ended June 30, 2021, \$53,561 of prior sewer improvements were reported under government-wide capital assets rather than under the Sewer fund capital assets. A correction was made in fiscal year 2020/2021 to move that capital asset, resulting in transfers in the Sewer fund exceeding transfers out of the governmental funds by \$53,561 in the fund statements.

Interfund long-term advances at June 30, 2021 were as follows:

Fund	Advances to Other Funds	Advances From Other Funds
General Fund		\$ 1,184,966
Sewer Enterprise Fund	\$ 75,000	
Fiduciary Fund - Private-Purpose Trust: Redevelopment Successor Agency	1,109,966	
	<u>\$ 1,184,966</u>	<u>\$ 1,184,966</u>

Advance from Sewer Enterprise Fund: During the year ended June 30, 2015, the City's Sewer Enterprise Fund advanced to the City's General Fund \$100,000 to be used to pay City staff and engineering consulting work. On January 8, 2019, the City approved an interfund payment plan requiring the General Fund to make eight annual payments of \$12,500 starting on July 1, 2019 and ending July 1, 2026. A payment of \$12,500 was made during the fiscal year ended June 30, 2021.

Advance from Redevelopment Successor Agency Fund: The Redevelopment Successor Agency Fund previously made several advances totaling to \$1,109,966 to the City's General Fund to cover operating costs. These advances were not approved by the State of California, and the City currently has no plans to make repayments. Such advances are required to be recorded as a transfer if there is no repayment plan in place.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2021 was as follows:

	Restated Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 227,860				\$ 227,860
Total nondepreciable assets	<u>227,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,860</u>
Depreciable capital assets:					
Buildings and improvements	2,941,009				2,941,009
Equipment	1,144,166			\$ (67,799)	1,076,367
Total depreciable assets	<u>4,085,175</u>	<u>-</u>	<u>-</u>	<u>(67,799)</u>	<u>4,017,376</u>
Less accumulated depreciation:					
Buildings and improvements	(1,151,438)	\$ (63,222)			(1,214,660)
Equipment	(1,045,691)	(12,183)		14,238	(1,043,636)
Total accumulated depreciation	<u>(2,197,129)</u>	<u>(75,405)</u>		<u>14,238</u>	<u>(2,258,296)</u>
Net depreciable assets	<u>1,888,046</u>	<u>(75,405)</u>	<u>-</u>	<u>(53,561)</u>	<u>1,759,080</u>
Net governmental capital assets	<u>\$ 2,115,906</u>	<u>\$ (75,405)</u>	<u>\$ -</u>	<u>\$ (53,561)</u>	<u>\$ 1,986,940</u>

Depreciation expense for governmental capital assets was charged to functions as follows:

General governmental	\$ 9,925
Public safety	13,000
Public ways and facilities	50,537
Recreation and culture	1,943
Total depreciation expense - governmental functions	<u>\$ 75,405</u>

Proprietary fund type capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 63,000				\$ 63,000
Total nondepreciable assets	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,000</u>
Depreciable capital assets:					
Buildings and improvements	3,268,009			\$ 67,799	3,335,808
Equipment	384,856				384,856
Total depreciable assets	<u>3,652,865</u>	<u>-</u>	<u>-</u>	<u>67,799</u>	<u>3,720,664</u>
Less accumulated depreciation:					
Buildings and improvements	(1,140,273)	\$ (53,348)		(14,238)	(1,207,859)
Equipment	(249,160)	(16,012)			(265,172)
Total accumulated depreciation	<u>(1,389,433)</u>	<u>(69,360)</u>		<u>(14,238)</u>	<u>(1,473,031)</u>
Net depreciable assets	<u>2,263,432</u>	<u>(69,360)</u>	<u>-</u>	<u>53,561</u>	<u>2,247,633</u>
Net proprietary fund type capital assets	<u>\$ 2,326,432</u>	<u>\$ (69,360)</u>	<u>\$ -</u>	<u>\$ 53,561</u>	<u>\$ 2,310,633</u>

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE E – INSTALLMENTS PAYABLE

Because the City was delinquent with a number of vendors, installment agreements were entered into to establish a payment plan. These unpaid balances are recorded as installments payable and consist of the following:

Vendor	Amount
Sacramento County Sheriff's Department	\$ 386,611
Employment Development Department	176,864
Small Cities Organized Risk Effort	147,627
Reclamation District No.407	49,772
	<u>\$ 760,874</u>

Reclamation District No. 407 – In January 2016 the City entered into an agreement to pay its unpaid liabilities for maintaining the City's roads and streets in installments. At the time of the agreement the unpaid liability was \$99,546. Annual payments of \$9,954.58 plus interest at the Sacramento County investment pool rate are due annually on June 1. No payments were made during fiscal year 2019/20.

Employment Development Department – In February 2020 the City entered into an agreement to pay its unpaid liabilities in installments. At the time of the agreement the unpaid liability was \$174,804 plus accrued interest, as applicable. The agreement was amended September 2, 2020 increasing the balance and reducing the yearly payment to \$3,000. Beginning February 10, 2022, the yearly payments will be increased to \$9,000.

Sacramento County Sheriff's Department – In June 2017 the City Council adopted the Sacramento County Sheriff Quittance Plan whereby the City would repay the County over eight years at \$43,750 per year. The City is currently in dispute with the County Sheriff's Office over services provided and no payments were made during fiscal year 2020/21.

Small Cities Organized Risk Effort – In December 2020 the City Council adopted a payment schedule for assessments outstanding. At the time of the agreement the unpaid assessments were \$81,533. Beginning in fiscal year 2022/23, annual payments of \$43,089 are required. No payments were made during fiscal year 2019/20 and \$22,595 of payments were made in fiscal year 2020/21.

The annual installment payment requirements as of June 30, 2021 are as follows:

Year Ending June 30,	Sacramento County Treasurer	Employment Development Department	Sacramento County Sheriff	Small Cities Organized Risk Effort	Total
2022	\$ 19,909	\$ 5,500	\$ 131,250	\$ 43,184	\$ 199,843
2023	9,955	9,000	43,750	43,089	105,794
2024	9,954	9,000	43,750	43,089	105,793
2025	9,954	9,000	43,750	18,265	80,969
2026		9,000	43,750		52,750
2027-2031		45,000	80,361		125,361
2032-2036		45,000			45,000
2037-2041		45,000			45,000
2042		364			364
Total	<u>\$ 49,772</u>	<u>\$ 176,864</u>	<u>\$ 386,611</u>	<u>\$ 147,627</u>	<u>\$ 760,874</u>

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Funds:					
Installments payable	\$ 553,637	\$ 242,287	\$ (35,050)	\$ 760,874	\$ 199,843
Lease	14,373		(4,544)	9,829	4,787
Compensated absences	25,009	16,251 *		41,260	41,260
Total governmental funds	\$ 593,019	\$ 258,538	\$ (39,594)	\$ 811,963	\$ 245,890
Enterprise Funds:					
Certificates of Participation	\$ 893,400		\$ (21,400)	\$ 872,000	\$ 22,400
Series 2019 Bonds	1,950,000		(45,000)	1,905,000	45,000
Leases	10,594		(10,594)	-	-
Total enterprise funds	\$ 2,853,994	\$ -	\$ (76,994)	\$ 2,777,000	\$ 67,400

*The change in the compensated absences liability is presented as a net change.

Long-term debt of the City's governmental funds consisted of the following as of June 30, 2021:

Truck Lease: The City entered into a purchase option lease agreement with Community First National Bank for the purchase of a Ford F250 truck, dated August 9, 2018, due in annual installments of \$5,312, beginning February 20, 2019 and ending February 20, 2023, including interest at 5.34%. The cost of the asset was \$27,781 and accumulated depreciation was \$11,390 as of June 30, 2021. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments, retake possession of equipment, or require the City to return the equipment, with the City being liable for any damage to the equipment.

Long-term debt of the City's enterprise funds consisted of the following as of June 30, 2021:

2004 Certificates of Participation: Issued on November 18, 2004 to finance the acquisition and construction of certain improvements and facilities for the Sewer System. Principal payments ranging from \$1,000 to \$59,000 are due annually through May 1, 2044, and interest payments at a rate of 4.50% ranging from \$1,328 to \$32,069 are due semiannually on May 1 and November 1 through May 1, 2044. Should the City default on payments or any covenants of the agreement, the principal portion as well the interest therefore accrued to the date of payment shall be immediately due and payable.

Series 2019 Taxable Wastewater Revenue Refunding Bonds: Issued April 11, 2019 to refund the City of Isleton Public Financing Authority, Series 2012 Wastewater Revenue Refunding Bonds. The term bonds with principal payments of \$45,000 to \$140,000 are due annually through September 1, 2024, 2033, and 2042. The term bonds have stated interest rates of 3.750% to 5.25%. Repayment is secured by a pledge and lien of the net revenues of the sewer system. Should the City default on payments or any covenants of the agreement, the principal portion as well the interest therefore accrued to the date of payment shall be immediately due and payable.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE F – LONG-TERM LIABILITIES (Continued)

Backhoe Lease: The City entered into a purchase option lease agreement with Community First National Bank for the purchase of a backhoe, dated July 11, 2017. Due in annual installments of \$11,017, through July 11, 2021, including interest rate at 3.99%. The cost of the asset was \$51,400 and accumulated depreciation was \$17,990 as of June 30, 2021. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments, retake possession of equipment, or require the City to return the equipment, with the City being liable for any damage to the equipment.

The annual debt service requirements to maturity including principal and interest for the governmental truck lease as of June 30, 2021 is as follows:

Year ending June 30	Truck Lease		
	Principal	Interest	Total
2022	\$ 4,787	\$ 525	\$ 5,312
2023	5,042	270	5,312
Totals	\$ 9,829	\$ 795	\$ 10,624

The annual debt service requirements to maturity including principal and interest for the enterprise Certificate of Participation and Series 2019 Bonds as of June 30, 2021 are as follows:

Year ending June 30	Certificate of Participation			Series 2019 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 22,400	\$ 39,240	\$ 61,640	\$ 45,000	\$ 94,519	\$ 139,519
2023	23,400	38,232	61,632	50,000	92,737	142,737
2024	24,500	37,179	61,679	50,000	90,863	140,863
2025	25,500	36,076	61,576	55,000	88,893	143,893
2026	26,700	34,929	61,629	60,000	86,362	146,362
2027-2031	152,700	155,498	308,198	345,000	383,187	728,187
2032-2036	190,300	117,908	308,208	445,000	284,225	729,225
2037-2041	237,100	71,070	308,170	580,000	152,251	732,251
2042-2046	169,400	15,471	184,871	275,000	14,569	289,569
Totals	\$ 872,000	\$ 545,603	\$ 1,417,603	\$ 1,905,000	\$ 1,287,606	\$ 3,192,606

Pledged Revenues: The City has pledged future Sewer Fund revenues, net of specified operating expenses, to repay the Series 2019 Wastewater Refunding Bonds issued in April 2019 with total proceeds of \$2,005,000. Proceeds from the bonds were used to refinance a previous Series Refunding Bonds used to acquire and refinance a portion of the City's existing wastewater enterprise. The bonds are payable solely from sewer customer net revenues and is payable through September 2042. Total principal and interest remaining to be paid on the bonds was \$3,192,606 at June 30, 2021. Total cash basis principal and interest payments on the bonds during the year ended June 30, 2021 were \$141,206 and net revenues were \$254,552, respectively. The City was in compliance with the debt service coverage ratio for the year ended June 30, 2021.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of Isleton council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. SCORE is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If SCORE becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance. SCORE establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City's insurance coverage and the respective coverage providers are as follows:

Coverage	SCORE	Excess	Banking Layer/ Deductible
Liability	\$ 500,000	\$ 39,500,000	\$ 25,000
Employers liability	1,000,000		
Property	500,000,000		5,000
Boiler and machinery	100,000,000		10,000
Mobile equipment	7,000,000		10,000
Workers Compensation liability	250,000	4,750,000	50,000

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The audited financial statements of SCORE are available from SCORE at www.scorejpa.org.

NOTE H – COMMITMENTS AND CONTINGENCIES

Grant Contingency: The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. No audits by the grantors have occurred in the current fiscal year. The amount, if any, which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Legal Contingency: The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

CITY OF ISLETON, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

COVID: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the taxpayers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and operations is uncertain. The possible effects include a reduction in the City's sales taxes, property taxes and special assessments, which are some of the City's largest revenue sources.

NOTE I – SUCCESSOR AGENCY TRUST FOR FORMER ISLETON

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, as amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

Under the provisions of AB 1484, the City may elect to become the Housing Successor and retain the housing assets. The City did not elect to become the Housing Successor and on February 1, 2012, certain housing assets were to be transferred to the Sacramento County Auditor-Controller for disposition. However, the City never transferred housing assets over to the County and continued to report the activities of the Low Mod Income Housing Assets under a City special revenue fund through June 30, 2021.

The City elected to become the Successor Agency and on February 1, 2012, the Redevelopment Agency's remaining assets were to be distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight board to oversee the activities of the Successor Agency and one was established in March 2017. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of eight members, including one employee of the City, one former Redevelopment Agency employee appointed by the Mayor and the remaining members are appointed by external agencies with an interest in Successor Agency assets. Pursuant to Senate Bill 107, on July 1, 2018, a single consolidated County Oversight Board was established for the four city Oversight Boards.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The Agency did not have any additions and deductions to report for the year ending June 30, 2021, so there is no Statement of Changes in Fiduciary Net Position presented for the Agency at June 30, 2021. The City had previously reported the activities in two governmental funds, one for Redevelopment Agency and the other specifically for Redevelopment Low Income housing. Currently, the last of the obligations of the former Redevelopment Agency will terminate once the City pays back the advance to the Successor Agency and all remaining Redevelopment funds are transmitted to the State and any Low- and Moderate-Income Housing funds to the Sacramento County Auditor-Controller.

The Successor Agency owns land at a cost of \$82,500.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE J – SUBSEQUENT EVENTS

On December 10, 2020, the City entered into a purchase option lease agreement with First Capital Equipment Leasing Corporation for the purchase of a Rosenbauer Type I Fire Pumper. The vehicle was not yet delivered to the City as of June 30, 2021. Annual payments of \$46,190 are due beginning December 10, 2021 and ending December 10, 2030, including interest at 2.98%. Should the City default on lease payments or any covenants of the lease agreement, the Lessor can demand full payment of the outstanding lease payments, retake possession of equipment, or require the City to return the equipment, with the City being liable for any damage to the equipment.

NOTE K – PRIOR PERIOD ADJUSTMENTS

During the 2021 audit, the City determined that previously reported deferred inflows and deferred outflows balances relating to the 2009 sale and sale-leaseback of the City sewer system represented an intra-entity transaction and do not need to be reported in the City financials. Corrections were made in the current year, which resulted in the beginning net position for governmental activities increasing by \$665,180 and the beginning net position for business-type activities and the Sewer Fund decreasing by \$86,056.

During the fiscal year 2015, the Sewer Enterprise Fund made an interfund loan in an amount of approximately \$100,000 to the City's General Fund to support the City's general operations. On January 8, 2019, the City approved an eight-year payment plan for the General Fund to repay the loan. It was discovered during the 2021 audit that the City had not originally recorded the interfund loan on the balance sheet and likely reported the loan as transfers in and out in each respective fund in 2015. Corrections were made in the current year to reclassify the loan balance as an advance, which resulted in an decrease of \$87,500 in the beginning net position for governmental activities and beginning fund balance for the General Fund, and an increase of the same amount in the beginning net position for business-type activities and the Sewer Fund.

During fiscal year 2018, the City received its old Measure A funds previously held in a fiduciary capacity by the Sacramento Transportation Authority. The City recorded the full balance as unearned revenue at the time. Because the Measure A funds were already allocated to the City in prior years and are considered non-exchange revenues, corrections were made during the 2021 audit to reclassify the remaining balance as restricted funds in the Measure A fund. These corrections resulted in an increase of \$332,721 in the beginning net position for governmental activities and in the beginning fund balance for the Measure A fund.

During the fiscal year 2013, the City paid excess cash to the Local Transportation Fund (LTF) from its General Fund, resulting in non-LTF cash being reported in the fund. The City had recognized this cash in the Local Transportation Fund in 2013 when the amount should have been reported as due to the General Fund instead. The total amount misreported in the Local Transportation Fund has fluctuated since then as the City continued paying LTF expenses from the General Fund without reimbursing the General Fund. During the 2021 audit, the City restated its balances to properly show the amount that is due from the Local Transportation Fund to the General Fund. This restatement resulted in General Fund beginning fund balance and due from other funds balance to both increase by \$79,510 and for Local Transportation Fund beginning fund balance to decrease and due to other funds balance to increase by \$79,510.

CITY OF ISLETON, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE K – PRIOR PERIOD ADJUSTMENTS (Continued)

During the 2021 audit, the City reclassified the Redevelopment Agency and Redevelopment Low Income (RDA) funds previously reported as governmental funds to be reported as a private-purpose trust fund for the Isleton Redevelopment Successor Agency. This reclassification resulted in beginning net position for governmental activities and beginning fund balance for nonmajor governmental funds to both decrease by \$1,110,410.

In addition to the fund reclassification, the City also reclassified a parking lot owned by the Successor Agency from its own capital assets balances to the new successor agency private-purpose trust fund. This reclassification resulted in beginning net position for governmental activities to decrease by \$82,500 and beginning net position for the Redevelopment Successor Agency Private-Purpose Trust Fund to increase by \$82,500.

The changes to net position and fund balances at July 1, 2020 are summarized as follows:

	Governmental Activities	Business-type Activities	Redevelopment Successor Agency Private-Purpose Trust Fund
Net position, beginning of year - previously reported	\$ 1,134,106	\$ (119,596)	
Eliminate intra-entity sale	665,180	(86,056)	
Interfund advance not previously recorded	(87,500)	87,500	
Measure A revenue accrual	332,721		
RDA fund reclassification	(1,110,410)		
RDA capital assets reclassification	(82,500)		\$ 82,500
Net position, beginning of year	<u>\$ 851,597</u>	<u>\$ (118,152)</u>	<u>\$ 82,500</u>

	General	Sacramento Transportation	Local Transportation	Sewer Enterprise Fund	Redevelopment Agency Funds
Fund balance, beginning of year - previously reported	\$ (1,894,302)	\$ 152,597	\$ 212,556	\$ (119,596)	\$ 1,110,410
Eliminate intra-entity sale				(86,056)	
Interfund advance not previously recorded	(87,500)			87,500	
Measure A revenue accrual		332,721			
Non-LTF interfund balance	79,510		(79,510)		
RDA fund reclassification					(1,110,410)
Fund balance, beginning of year	<u>\$ (1,902,292)</u>	<u>\$ 485,318</u>	<u>\$ 133,046</u>	<u>\$ (118,152)</u>	<u>\$ -</u>

NOTE L – FINANCIAL CONDITION

The City's General Fund has a deficit balance of \$1,678,481 at June 30, 2021. The General Fund also owes the Redevelopment Successor Agency \$1,109,966 and has established payment plans on past due vendor invoices totaling \$760,874. In addition to those past due invoices, the General Fund had \$84,055 of vendor invoices past due more than 90 days at June 30, 2021. Continuing operating deficits and negative fund balance in the General Fund could cause a significant strain on the City to cover these deficits.

Isleton Invoice Summary												
Invoice #	FY23	FY23	FY24	FY24	FY24	FY24	FY25	FY25	Total Outstanding			
Description	Admin Fee	Board approved DAP assessment based on 6/30/22	Annual Premium, Property Banking Layer, Auto Banking Layer	Board approved DAP assessment based on 6/30/23	CJPRMA Cash Assessment	Admin Fee	Annual Premium, Property Banking Layer, Auto Banking Layer	Board approved DAP assessment based on 6/30/24				Admin Fee
Invoice Date	3/1/2023	7/1/2023	4/24/2024	7/1/2023 - 6/1/24	7/1/2024	2/15/2025	7/1/2024-6/30/25					
18695 3/17/23	\$ (125.50)											
18745 3/17/23	\$ (125.50)											
Prop Program Credit Memo	\$ (125.50)	\$ (3,124.00)										
18823 4/27/23	\$ (125.52)											
18953 7/7/23												
18873 6/1/23												
19124 9/18/23			\$ (10,000.00)									
2463 9/19/23			\$ (15,000.00)									
19158 10/25/23												
19200 12/1/23			\$ (10,000.00)									
19248 1/2/24 (Applied to admin fees due through 1/24)			\$ (8,964.25)		\$ (1,035.75)							
19280 1/11/24			\$ (10,000.00)									
19329 2/6/24			\$ (9,654.75)		\$ (345.25)							
19381 3/18/24			\$ (9,654.75)		\$ (345.25)							
19406 4/4/24				\$ (962.00)								
194736 4/25/24 Brought the adr			\$ (8,898.84)		\$ (690.50)							
19427 4/25/24				\$ (1,834.00)								
19553 8/22/24			\$ (14,309.50)		\$ (690.50)							
19579 10/8/24						\$ (10,417.86)		\$ (4,582.14)				
19619 10/31/24						\$ (15,000.00)						
19671 1/24/25						\$ (15,000.00)						
19687 2/12/25						\$ (15,000.00)						
19707 3/14/25						\$ (15,000.00)	\$ (1,245.00)					
19740 4/21/25						\$ (15,000.00)						
19745 5/5/25						\$ (15,000.00)						
19768 6/3/25						\$ (15,000.00)						
Balance Due	\$ -	\$ -	\$ 32,094.30	\$ -	\$ -	\$ -	\$ 37,320.03	\$ -	\$ -	121,781.18		