

**CITY OF DOS PALOS
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2021**

**CITY OF DOS PALOS
CALIFORNIA**

JUNE 30, 2021

CITY COUNCIL

Mayor	April Hogue
Mayor pro-Tempore	Thomas Pigg
Council Member	Armando Bravo
Council Member	Marcus Porter
Council Member	Debbie Orlando

ADMINISTRATION

City Manager / CEO	Darrell Fonseca
Director of Finance	Manuela Sousa
Director of Public Works	Gordon Bonds
Chief of Police	Rich McEachin
Director of Utilities	Craig Hackett
Fire Marshal	Dewayne Jones
City Treasurer	Lori Lima

CONSULTANTS

City Engineer	Garth Pecchenino
City Attorney	Edward Amaral
Independent Auditor	Price Paige & Company
Consulting Accountant	James M. Stofle, CPA

**CITY OF DOS PALOS
JUNE 30, 2021**

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CITY OF DOS PALOS
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Dos Palos, California

Report on the Financial Statements

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 Dos Palos, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dos Palos, California, 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.

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Clovis, CA 93611

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Change in Accounting Principle

As described in Note 14 to the financial statements, in 2021, the City adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's 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 reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions on pages 46-48, 49 and 50 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.

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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 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 September 16, 2022, on our consideration of the City of Dos Palos, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Price Pange & Company

Clovis, California
September 16, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DOS PALOS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments:			
Unrestricted	\$ 2,173,682	\$ 1,715,971	\$ 3,889,653
Restricted	-	678,024	678,024
Receivables	1,094,738	202,511	1,297,249
Internal balances	552,985	(552,985)	-
Inventory of supplies, at cost	225	8,125	8,350
Capital assets:			
Non-depreciable	64,954	1,245,264	1,310,218
Depreciable, net of accumulated depreciation	<u>3,794,881</u>	<u>1,404,124</u>	<u>5,199,005</u>
Total assets	<u>7,681,465</u>	<u>4,701,034</u>	<u>12,382,499</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	<u>501,144</u>	<u>373,395</u>	<u>874,539</u>
Total deferred outflows of resources	<u>501,144</u>	<u>373,395</u>	<u>874,539</u>
LIABILITIES			
Accounts payable	41,615	107,066	148,681
Accrued liabilities	14,126	-	14,126
Salaries and benefits payable	92,519	-	92,519
Deposits payable	-	64,357	64,357
Accrued interest payable	-	7,361	7,361
Noncurrent liabilities			
Due within one year:			
Compensated absences payable	36,174	51,561	87,735
Notes payable	-	116,155	116,155
Capital leases	26,677	10,238	36,915
Due in more than one year:			
Compensated absences payable	98,308	60,052	158,360
Notes payable	-	1,053,768	1,053,768
Capital leases	40,250	24,306	64,556
Net pension liability	<u>1,704,872</u>	<u>1,787,810</u>	<u>3,492,682</u>
Total liabilities	<u>2,054,541</u>	<u>3,282,674</u>	<u>5,337,215</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	<u>141,494</u>	<u>89,384</u>	<u>230,878</u>
Total deferred inflows of resources	<u>141,494</u>	<u>89,384</u>	<u>230,878</u>
NET POSITION			
Net investment in capital assets	3,792,908	1,444,921	5,237,829
Restricted for:			
Capital projects	-	678,024	678,024
Streets	1,218,719	-	1,218,719
Economic development	63,899	-	63,899
Housing rehab	538,991	-	538,991
Public safety	2,048	-	2,048
Unrestricted	<u>370,009</u>	<u>(420,574)</u>	<u>(50,565)</u>
Total net position	<u>\$ 5,986,574</u>	<u>\$ 1,702,371</u>	<u>\$ 7,688,945</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DOS PALOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 251,538	\$ 153,610	\$ 27,199	\$ -	\$ (70,729)	\$ -	\$ (70,729)
Public safety	1,773,735	8,876	374,868	19,525	(1,370,466)	-	(1,370,466)
Public works	1,285,040	-	1,114,286	19,525	(151,229)	-	(151,229)
Community development	14,658	-	-	-	(14,658)	-	(14,658)
Parks	87,510	-	-	19,525	(67,985)	-	(67,985)
Recreation	2,987	2,630	-	-	(357)	-	(357)
Interest and fiscal charges	6,641	-	-	-	(6,641)	-	(6,641)
Total governmental activities	<u>3,422,109</u>	<u>165,116</u>	<u>1,516,353</u>	<u>58,575</u>	<u>(1,682,065)</u>	<u>-</u>	<u>(1,682,065)</u>
Business-Type Activities:							
Water	1,269,793	753,536	9,644	-	-	(506,613)	(506,613)
Sewer	900,339	1,049,083	9,644	-	-	158,388	158,388
Refuse	803,396	745,570	-	-	-	(57,826)	(57,826)
Total business-type activities	<u>2,973,528</u>	<u>2,548,189</u>	<u>19,288</u>	<u>-</u>	<u>-</u>	<u>(406,051)</u>	<u>(406,051)</u>
Total City of Dos Palos	<u>\$ 6,395,637</u>	<u>\$ 2,713,305</u>	<u>\$ 1,535,641</u>	<u>\$ 58,575</u>	<u>(1,682,065)</u>	<u>(406,051)</u>	<u>(2,088,116)</u>
General Revenues:							
Taxes:							
Property taxes					880,167	-	880,167
Sales taxes					549,627	-	549,627
Business license taxes					29,196	-	29,196
Franchise					99,122	-	99,122
Other taxes					4,068	-	4,068
Unrestricted investment earnings					5,124	12,083	17,207
Gain on sale of assets					50,831	-	50,831
Miscellaneous					16,681	13,877	30,558
Total general revenues					<u>1,634,816</u>	<u>25,960</u>	<u>1,660,776</u>
Changes in net position					(47,249)	(380,091)	(427,340)
Net position - beginning					<u>6,033,823</u>	<u>2,082,462</u>	<u>8,116,285</u>
Net position - ending					<u>\$ 5,986,574</u>	<u>\$ 1,702,371</u>	<u>\$ 7,688,945</u>

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FUND FINANCIAL STATEMENTS

**CITY OF DOS PALOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

		Special Revenue Fund		
	General Fund	Measure V Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 960,359	\$ 942,352	\$ 270,971	\$ 2,173,682
Receivables	355,638	84,554	654,546	1,094,738
Due from other funds	697,094	-	-	697,094
Inventory of supplies, at cost	225	-	-	225
	<u>2,013,316</u>	<u>1,026,906</u>	<u>925,517</u>	<u>3,965,739</u>
Total assets	<u>\$ 2,013,316</u>	<u>\$ 1,026,906</u>	<u>\$ 925,517</u>	<u>\$ 3,965,739</u>
LIABILITIES				
Accounts payable	\$ 39,160	\$ -	\$ 2,455	\$ 41,615
Accrued liabilities	14,126	-	-	14,126
Salaries and benefits payable	92,519	-	-	92,519
Due to other funds	-	-	144,109	144,109
	<u>145,805</u>	<u>-</u>	<u>146,564</u>	<u>292,369</u>
Total liabilities	<u>145,805</u>	<u>-</u>	<u>146,564</u>	<u>292,369</u>
FUND BALANCES (DEFICITS)				
Nonspendable	229,558	-	-	229,558
Restricted:				
Public safety	-	-	2,048	2,048
Street maintenance	-	1,026,906	191,813	1,218,719
Economic development	-	-	63,899	63,899
Housing rehab	-	-	538,991	538,991
Unassigned	1,637,953	-	(17,798)	1,620,155
	<u>1,867,511</u>	<u>1,026,906</u>	<u>778,953</u>	<u>3,673,370</u>
Total fund balances (deficits)	<u>1,867,511</u>	<u>1,026,906</u>	<u>778,953</u>	<u>3,673,370</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 2,013,316</u>	<u>\$ 1,026,906</u>	<u>\$ 925,517</u>	<u>\$ 3,965,739</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$	3,673,370
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

3,859,835

Pension related deferred outflows and inflows of resources are not reported in the governmental funds. These amounts consist of:

Deferred outflows of resources related to pensions	501,144	
Deferred inflows of resources related to pensions	(141,494)	359,650

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital leases payable	(66,927)	
Compensated absences payable	(134,482)	
Net pension liability	(1,704,872)	(1,906,281)

Net position of governmental activities	\$	5,986,574
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The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund Measure V Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 395,606	\$ -	\$ -	\$ 395,606
Property taxes - in-lieu of vehicle license fees	484,560	-	-	484,560
Sales and use taxes	549,627	-	-	549,627
Other taxes	13,087	807,859	-	820,946
Intergovernmental	168,978	-	634,525	803,503
Licenses, fees and permits	199,779	-	-	199,779
Other	24,032	-	-	24,032
Charges for services	165,116	-	-	165,116
Fines, forfeitures and penalties	3,279	-	-	3,279
Investment income	4,977	-	147	5,124
Total revenues	<u>2,009,041</u>	<u>807,859</u>	<u>634,672</u>	<u>3,451,572</u>
EXPENDITURES				
Current:				
General government	229,734	-	-	229,734
Public safety	1,426,426	-	254,031	1,680,457
Public works	147,630	513,315	484,148	1,145,093
Community development	-	-	14,658	14,658
Parks	175,352	-	-	175,352
Recreation	2,987	-	-	2,987
Debt service:				
Principal	27,929	-	6,591	34,520
Interest	6,641	-	-	6,641
Total expenditures	<u>2,016,699</u>	<u>513,315</u>	<u>759,428</u>	<u>3,289,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,658)</u>	<u>294,544</u>	<u>(124,756)</u>	<u>162,130</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	122,989	-	-	122,989
Proceeds from capital leases	27,937	-	-	27,937
Total other financing sources (uses)	<u>150,926</u>	<u>-</u>	<u>-</u>	<u>150,926</u>
Net change in fund balances	143,268	294,544	(124,756)	313,056
Fund balances - beginning	<u>1,724,243</u>	<u>732,362</u>	<u>903,709</u>	<u>3,360,314</u>
Fund balances - ending	<u>\$ 1,867,511</u>	<u>\$ 1,026,906</u>	<u>\$ 778,953</u>	<u>\$ 3,673,370</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	313,056
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, this is the amount by which capital outlays exceeded depreciation and the loss on disposal of capital assets.

Capital expenditures	207,276		
Loss on disposal of assets	(72,157)		
Depreciation expense	<u>(191,916)</u>		(56,797)

The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.

Proceeds from capital leases payable	(27,937)		
Payment of capital leases payable	<u>34,520</u>		<u>6,583</u>

Changes to compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(38,598)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(127,544)
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Changes to net pension liability and pension related deferred inflows and outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(143,949)</u>
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Change in net position of governmental activities	<u>\$ (47,249)</u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
ASSETS				
Current assets:				
Cash and investments:				
Unrestricted	\$ -	\$ 1,715,971	\$ -	\$ 1,715,971
Restricted	466,344	211,680	-	678,024
Receivables	19,225	100,746	82,540	202,511
Supplies inventory	8,125	-	-	8,125
Total current assets	<u>493,694</u>	<u>2,028,397</u>	<u>82,540</u>	<u>2,604,631</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,245,264	-	-	1,245,264
Depreciable, net of accumulated depreciation	<u>179,230</u>	<u>1,113,789</u>	<u>111,105</u>	<u>1,404,124</u>
Total noncurrent assets	<u>1,424,494</u>	<u>1,113,789</u>	<u>111,105</u>	<u>2,649,388</u>
Total assets	<u>1,918,188</u>	<u>3,142,186</u>	<u>193,645</u>	<u>5,254,019</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	<u>159,745</u>	<u>155,598</u>	<u>58,052</u>	<u>373,395</u>
Total deferred outflows of resources	<u>159,745</u>	<u>155,598</u>	<u>58,052</u>	<u>373,395</u>
LIABILITIES				
Current liabilities:				
Accounts payable	71,437	15,199	20,430	107,066
Deposits payable	25,805	19,593	18,959	64,357
Accrued interest payable	-	7,361	-	7,361
Current portion of compensated absences	22,551	22,638	6,372	51,561
Current portion of capital leases	5,119	5,119	-	10,238
Current portion of notes payable	-	116,155	-	116,155
Due to other funds	<u>436,014</u>	<u>-</u>	<u>116,971</u>	<u>552,985</u>
Total current liabilities	<u>560,926</u>	<u>186,065</u>	<u>162,732</u>	<u>909,723</u>
Noncurrent liabilities:				
Compensated absences	26,020	26,110	7,922	60,052
Capital leases	12,153	12,153	-	24,306
Notes payable	-	1,053,768	-	1,053,768
Net pension liability	<u>768,067</u>	<u>747,579</u>	<u>272,164</u>	<u>1,787,810</u>
Total noncurrent liabilities	<u>806,240</u>	<u>1,839,610</u>	<u>280,086</u>	<u>2,925,936</u>
Total liabilities	<u>1,367,166</u>	<u>2,025,675</u>	<u>442,818</u>	<u>3,835,659</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	<u>37,047</u>	<u>36,318</u>	<u>16,019</u>	<u>89,384</u>
Total deferred inflows of resources	<u>37,047</u>	<u>36,318</u>	<u>16,019</u>	<u>89,384</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	1,407,222	(73,406)	111,105	1,444,921
Restricted for:				
Capital projects	466,344	211,680	-	678,024
Unrestricted (deficit)	<u>(1,199,846)</u>	<u>1,097,517</u>	<u>(318,245)</u>	<u>(420,574)</u>
Total net position (deficit)	<u>\$ 673,720</u>	<u>\$ 1,235,791</u>	<u>\$ (207,140)</u>	<u>\$ 1,702,371</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 216,847	\$ 915,785	745,570	\$ 1,878,202
JPA operations and maintenance fees	536,689	133,298	-	669,987
Other	9,904	3,973	-	13,877
Total operating revenues	<u>763,440</u>	<u>1,053,056</u>	<u>745,570</u>	<u>2,562,066</u>
Operating expenses:				
Personnel services & benefits	516,465	494,021	88,073	1,098,559
Repairs & maintenance	358,589	77,432	24,530	460,551
Heat, light & power	75,944	76,023	-	151,967
Depreciation	32,018	67,526	30,539	130,083
Insurance	30,547	30,547	1,083	62,177
Joint powers operating expenses	-	8,382	-	8,382
Contractual services	120,933	67,452	649,748	838,133
Other	134,802	42,168	9,423	186,393
Total operating expenses	<u>1,269,298</u>	<u>863,551</u>	<u>803,396</u>	<u>2,936,245</u>
Operating income (loss)	<u>(505,858)</u>	<u>189,505</u>	<u>(57,826)</u>	<u>(374,179)</u>
Nonoperating revenues (expenses):				
Investment earnings	3,193	8,591	299	12,083
Interest	(495)	(36,788)	-	(37,283)
Capital grants	9,644	9,644	-	19,288
Total nonoperating revenues (expenses)	<u>12,342</u>	<u>(18,553)</u>	<u>299</u>	<u>(5,912)</u>
Change in net position	(493,516)	170,952	(57,527)	(380,091)
Total net position - beginning	<u>1,167,236</u>	<u>1,064,839</u>	<u>(149,613)</u>	<u>2,082,462</u>
Total net position - ending	<u>\$ 673,720</u>	<u>\$ 1,235,791</u>	<u>\$ (207,140)</u>	<u>\$ 1,702,371</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DOS PALOS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 749,082	\$ 1,039,910	\$ 733,646	\$ 2,522,638
Cash payments to employees	(462,468)	(448,076)	(108,883)	(1,019,427)
Cash payments to suppliers	(727,776)	(312,986)	(678,497)	(1,719,259)
Net cash provided by (used in) operating activities	(441,162)	278,848	(53,734)	(216,048)
Cash Flows from Noncapital and Related Financing Activities				
(Loans) repayments to/from other funds	436,014	-	53,286	489,300
Net cash provided by (used in) noncapital and related financing activities	436,014	-	53,286	489,300
Cash Flows from Capital and Related Financing Activities				
Cash received from grants	9,644	9,644	-	19,288
Acquisition and construction of capital assets	(157,231)	(13,573)	-	(170,804)
Principal paid on long-term debt	(2,365)	(111,446)	-	(113,811)
Interest paid on long-term debt	(495)	(37,474)	-	(37,969)
Net cash provided by (used in) capital and related financing activities	(150,447)	(152,849)	-	(303,296)
Cash Flows from Investing Activities				
Interest on investments	4,859	12,849	448	18,156
Net cash provided by (used in) investing activities	4,859	12,849	448	18,156
Net increase (decrease) in cash and investments	(150,736)	138,848	-	(11,888)
Cash and investments, June 30, 2020	617,080	1,788,803	-	2,405,883
Cash and investments, June 30, 2021	\$ 466,344	\$ 1,927,651	\$ -	\$ 2,393,995

The notes to the basic financial statements are an integral part of this statement.

**CITY OF DOS PALOS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating income (loss)	<u>\$ (505,858)</u>	<u>\$ 189,505</u>	<u>\$ (57,826)</u>	<u>\$ (374,179)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	32,018	67,526	30,539	130,083
Change in assets and liabilities:				
(Increase) decrease in consumer receivables	(13,858)	(12,646)	(11,424)	(37,928)
(Increase) decrease in prepaid expenses	5,790	5,790	-	11,580
(Increase) decrease in pension related deferred outflows of resources	2,935	4,664	11,239	18,838
Increase (decrease) in accounts payable	(16,334)	(16,772)	6,287	(26,819)
Increase (decrease) in inventory supplies	3,583	-	-	3,583
Increase (decrease) in deposits payable	(500)	(500)	(500)	(1,500)
Increase (decrease) in compensated absences	9,038	8,807	(4,047)	13,798
Increase (decrease) in net pension liability	62,782	53,283	(17,234)	98,831
Increase (decrease) in pension related deferred inflows of resources	<u>(20,758)</u>	<u>(20,809)</u>	<u>(10,768)</u>	<u>(52,335)</u>
Net cash provided by (used in) operating activities	<u>\$ (441,162)</u>	<u>\$ 278,848</u>	<u>\$ (53,734)</u>	<u>\$ (216,048)</u>
Noncash Investing, Capital and Financing Activities:				
Capital lease	<u>\$ 19,637</u>	<u>\$ 19,637</u>	<u>\$ -</u>	<u>\$ 39,274</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Custodial Funds
ASSETS	
Cash and investments (in City investment pool)	\$ 502,345
Receivables (net)	197,542
Due from other governments	<u>17</u>
Total assets	<u>699,904</u>
LIABILITIES	
Accounts payable	48,472
Due to public finance authority	<u>169,668</u>
Total liabilities	<u>218,140</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>481,764</u>
Total net position	<u><u>\$ 481,764</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Custodial Funds
ADDITIONS	
Utility collections	\$ 1,462,278
Miscellaneous	<u>15</u>
Total additions	<u>1,462,293</u>
DEDUCTIONS	
Disbursements to other entities	908,828
Professional services	112,661
Utilities	318
Water purchases	252,759
Supplies	16,500
Loan repayments	<u>248,127</u>
Total deductions	<u>1,539,193</u>
Change in net position	(76,900)
Net position - beginning, restated	<u>558,664</u>
Net position - ending	<u>\$ 481,764</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Dos Palos (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's most significant accounting policies are described below.

A. Financial Reporting Entity

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

The City provides contract billing services for several surrounding Special Districts and Joint Powers Agencies, whose funds are included in the City's pooled cash. The City does not have the ability to exercise influence over them, therefore these entities are reported in the accompanying financial statements as Agency Funds in the Fiduciary Fund Financial Statements.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they occur while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying reconciliations are presented to explain the differences in fund balances and changes therein as presented in these statements to the net position and changes therein presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current and long-term financial assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, including revenues susceptible to accrual (generally received within 60 days after year-end. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, sales tax, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

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

Measure V Fund - This fund accounts for the City’s portion of the ½ cent transportation sales tax and related expenditures for transportation maintenance and improvement projects.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major enterprise fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) unless those pronouncements conflict with or contradict GASB pronouncements.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major proprietary fund types:

Water Fund - Accounts for the provision of water to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, distribution, maintenance, and debt service.

Sewer Fund - Accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and debt service.

Refuse Fund - Accounts for the revenues and expenses for operation and maintenance of the solid waste system.

Fiduciary Fund Financial Statements

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

Certain eliminations have been made as prescribed by GASB statement No. 34 for interfund activities, payable and receivables. All internal balances in the Statement of Net Positions have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total governmental column.

The City reports the following fiduciary fund type:

Custodial Funds are funds held by the City in a custodial capacity for individuals and entities outside of the government. This includes activity related to the various water districts within the City of Dos Palos' water distribution system in addition to the Joint Powers Authority and Public Finance Authority activity.

C. Cash, Cash Equivalents and Investments

Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on average daily accounting period, cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

Investments Valuation

The City has adopted GASB statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statement require or permit in the statement of net position at the end of each reporting period.

State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

Deposits and Investments Risk Disclosures

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk:
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Interfund Balances/Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

E. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. All purchased capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

City policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$ 5,000
Infrastructure Capital Assets.....	\$ 50,000

For all capital assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	30-40 years
Furniture and Fixtures.....	8-15 years
Machinery and Equipment	5-40 years
Water and Sewer Transmission, Collection, and Distribution Lines	40-50 years
Infrastructure.....	40 years

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 which allows for Phase III cities such as Dos Palos to recognize general infrastructure-capital assets in local governments' basic financial statements on a prospective basis only upon implementation. The City has chosen this approach and all general infrastructure assets acquired since July 1, 2003 are reported within these Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, water and sewer systems, park land, and other similar items. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was calculated on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

F. Interest Payable

In the government-wide and proprietary financial statements, interest payable on long-term debt is recognized as the liability is incurred.

G. Unearned Revenue

Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

H. Unavailable Revenue

In the governmental fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

I. Compensated Absences

City employees accumulate vacation pay in varying amounts as services are provided. All outstanding vacation pay is payable upon termination of employment. In the governmental funds, the amount of vacation pay recognized during the year is the amount liquidated with expendable available financial resources. In the Proprietary Funds, the amount of vacation pay recognized is the amount earned during the year.

City employees accrue sick leave in varying amounts as services are provided. Sick leave benefits are vested 50% with employees. Accumulated vacation and compensated time are accrued, as appropriate, for all funds.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Fund Financial Statements

The governmental fund financial statements do not present general long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Proprietary Fund Financial Statements

With the exception of prepaid bond insurance costs, bond premiums and discounts, as well as other issuance costs, are recognized during the period in which incurred. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

K. Net Position and Fund Balance

Government-Wide Financial Statements

In the government-wide financial statements, net positions are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by any outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net assets that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Fund Financial Statements

In the fund financial statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable - This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact. For governmental funds, the current year balance represents long-term receivables (home loans) made by the City.

Restricted - This includes amounts with constraints placed on their use by those external to the City, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed - This includes amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position and Fund Balance Equity (Continued)

Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

Assigned - This includes amounts that are constrained by the City's intent to be used for specific purposes. This intent can be established at either the highest level of decision making, the City Council, or by a body or an official designated for the purpose. This classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of the assigned fund balance amount.

Unassigned - This is the residual classification that includes amounts not contained in the other classifications.

The City established a "rainy-day" fund that does not qualify as a stabilization arrangement in accordance with GASB54. The amounts are reserved for future unknown costs with the purpose of stabilizing large fluctuations in costs for budgetary purposes. At June 30, 2021 the amount of this reserve fund was \$126,050 .

L. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

M. Property Tax Calendar

Property tax revenue is recognized when measurable and available. The assessment, levy and collection of property taxes are the responsibility of the County of Tulare. The City records property taxes as revenue when received from the County, except at year-end, when property taxes received within 60 days after the end of the fiscal year are "available" and, therefore, recognized as revenue.

Secured and unsecured property taxes are levied based on the assessed value as of January 1, lien date, of the preceding fiscal year. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. Collection dates are December 10 and April 10, which are also the delinquent dates. Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31, which is also the delinquent date.

N. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

O. Post-Employment Health Care Benefits

The City provides no post-retirement health care benefits to employees who retire.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on the average daily cash and investment balances.

A. Summary of Deposits and Investments

Cash and investments at June 30, 2021 are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 2,173,682	\$ 1,715,971	\$ 502,345	\$ 4,391,998
Restricted cash and investments	<u>-</u>	<u>678,024</u>	<u>-</u>	<u>678,024</u>
Total cash and investments	<u>\$ 2,173,682</u>	<u>\$ 2,393,995</u>	<u>\$ 502,345</u>	<u>\$ 5,070,022</u>

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

Cash on hand	\$ 400
Deposits with financial institutions	1,808,969
Investments	<u>3,260,653</u>
Total cash and investments	<u>\$ 5,070,022</u>

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund	\$ 2,939,953	\$ 2,939,953	\$ -	\$ -	\$ -
CSJVRMA Pool	<u>320,700</u>	<u>320,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,260,653</u>	<u>\$ 3,260,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total	Rating as of Year-End	
		Exempt from Disclosure	Not Rated
Local Agency Investment Fund	\$ 2,939,953	\$ -	\$ 2,939,953
CSJVRMA Pool	<u>320,700</u>	<u>-</u>	<u>320,700</u>
Total	<u>\$ 3,260,653</u>	<u>\$ -</u>	<u>\$ 3,260,653</u>

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the concentration of the government's investment in a single issuer. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, the City did not have investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City's total investments.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City may and has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The carrying amounts of the City's cash deposits totaled \$1,852,944 at June 30, 2021. Bank balances were \$1,784,555, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, there were no investments that were required to be identified by GASB Statement No. 40 in relation to custodial credit risk.

F. Local Agency Investment Fund

The City Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The City's total investment in the LAIF, managed by the Treasurer for the State of California, was \$2,939,953. The total amount invested by all public agencies in LAIF at June 30, 2021, was \$193.3 billion, the majority of which is invested in non-derivative financial products. The average maturity of PMIA investments was 291 days as of June 30, 2021. The value of pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the pooled treasury's portion in the pool.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Central San Joaquin Valley Risk Management Authority

The City maintains an investment of \$320,700 in the Central San Joaquin Valley Risk Management Authority (CSJVRMA) Pool as of June 30, 2021. The total amount invested by all participants in the pool is \$149,134,521. The value of the pool shares which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the City's portion in the pool. The fair value of the City's share of the pool is determined monthly and is \$320,355 as of June 30, 2021. The pool is not registered with the Securities Exchange Commission; however, it is managed by a registered investment advisor. Participation in the pool is voluntary. The pool's average maturity is 2.88 years, and the average rating is AA/Aa1. The pool consists of 56.96% Securities of U.S. Government Agencies, 20.16% U.S. Corporate Obligations and 22.88% other. The pool complies with the City's investment policy.

H. Investment Valuation

The City categorizes the fair value of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fair value measurements of the City's investments are as follows at June 30, 2021:

- Investments in the Local Agency Investment Fund (LAIF) are valued at \$2,939,953 based on the City's pro-rata share of the amortized cost provided by LAIF for the entire LAIF portfolio. LAIF invests in numerous types of investments ranging all levels of the fair value hierarchy. Accordingly, LAIF is not an investment type that can be categorized in any particular level in the fair value hierarchy.
- Investments in the CSJVRMA Investment Pool (CSJVRMA) are valued at \$320,700 based on the City's pro-rata share of the fair market value provided by CSJVRMA for the entire CSJVRMA portfolio. CSJVRMA invests in numerous types of investments ranging all levels of the fair value hierarchy. Accordingly, CSJVRMA is not an investment type that can be categorized in any particular level in the fair value hierarchy.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2021 consisted of the following for the governmental funds:

	General Fund	Measure V Fund	Non-Major Governmental Funds	Total Governmental Funds
Receivables:				
Intergovernmental	\$ 115,423	\$ 84,554	\$ 163,697	\$ 363,674
Loans	229,333	-	490,828	720,161
Franchise fees	10,265	-	-	10,265
Interest	617	-	21	638
Allowance for uncollectibles	-	-	-	-
Total receivables	<u>\$ 355,638</u>	<u>\$ 84,554</u>	<u>\$ 654,546</u>	<u>\$ 1,094,738</u>

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – RECEIVABLES (Continued)

Receivables as of June 30, 2021 consisted of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Total Enterprise Funds
Receivables:				
Utilities	\$ 18,759	\$ 99,493	\$ 82,496	\$ 200,748
Interest	85	1,080	44	1,209
Interest, restricted	381	173	-	554
Allowance for uncollectibles	-	-	-	-
Total receivables	<u>\$ 19,225</u>	<u>\$ 100,746</u>	<u>\$ 82,540</u>	<u>\$ 202,511</u>

Receivables as of June 30, 2021 consisted of the following for the fiduciary funds:

	Custodial Funds
Receivables:	
Utilities	<u>\$ 197,542</u>
Allowance for uncollectibles	-
Total receivables	<u>\$ 197,542</u>

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Loans Receivable and Payable

The following schedule summarizes the City's interfund activity for the year ended June 30, 2021:

	Due	
	From	To
Major Funds:		
General Fund	\$ 697,094	\$ -
Water Fund	-	436,014
Refuse Fund	-	116,971
Nonmajor Funds:		
COPS Hiring Grant 2014 Fund	-	59,249
STP Exchange Fund	-	24,197
CMAQ Fund	-	1,346
DOJ Tobacco Grant Fund	-	59,317
Total	<u>\$ 697,094</u>	<u>\$ 697,094</u>

The balances totaling \$697,094 due to the General Fund represent short-term borrowings resulting from a temporary need for additional cash. This amount is expected to be repaid shortly after the end of the fiscal year.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020 (Restated)	Acquisitions	Dispositions	Balance June 30, 2021
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Construction in progress	48,781	-	(38,827)	9,954
Total nondepreciable assets	103,781	-	(38,827)	64,954
Depreciable assets:				
Machinery and equipment	348,384	10,263	-	358,647
Vehicles	416,582	91,768	-	508,350
Buildings and structures	122,013	-	-	122,013
Improvements	890,166	105,245	(66,663)	928,748
Infrastructure	4,103,543	-	-	4,103,543
Total depreciable assets	5,880,688	207,276	(66,663)	6,021,301
Less accumulated depreciation for:				
Machinery and equipment	(198,277)	(24,195)	-	(222,472)
Vehicles	(320,290)	(37,233)	-	(357,523)
Buildings and structures	(51,100)	(5,920)	-	(57,020)
Improvements	(442,668)	(42,497)	33,332	(451,833)
Infrastructure	(1,055,501)	(82,071)	-	(1,137,572)
Total accumulated depreciation	(2,067,836)	(191,916)	33,332	(2,226,420)
Depreciable assets, net	3,812,852	15,360	(33,331)	3,794,881
Governmental activities capital assets, net	\$ 3,916,633	\$ 15,360	\$ (72,158)	\$ 3,859,835

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

Governmental Activities:	
General Government	\$ 6,469
Public Safety	45,775
Parks	24,794
Public Works	114,878
Total	\$ 191,916

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Acquisitions	Dispositions	Balance June 30, 2021
Business-Type Activities:				
Nondepreciable assets:				
Construction in progress	\$ 1,115,466	\$ 129,798	\$ -	\$ 1,245,264
Total nondepreciable assets	<u>1,115,466</u>	<u>129,798</u>	<u>-</u>	<u>1,245,264</u>
Depreciable assets:				
Vehicles	162,097	66,420	-	228,517
Buildings and improvements	5,219,629	-	-	5,219,629
Machinery and equipment	<u>483,536</u>	<u>13,860</u>	<u>-</u>	<u>497,396</u>
Total depreciable assets	<u>5,865,262</u>	<u>80,280</u>	<u>-</u>	<u>5,945,542</u>
Less accumulated depreciation for:				
Vehicles	(122,683)	(11,409)	-	(134,092)
Buildings and improvements	(3,980,418)	(83,631)	-	(4,064,049)
Machinery and equipment	<u>(308,233)</u>	<u>(35,044)</u>	<u>-</u>	<u>(343,277)</u>
Total accumulated depreciation	<u>(4,411,334)</u>	<u>(130,084)</u>	<u>-</u>	<u>(4,541,418)</u>
Depreciable assets, net	<u>1,453,928</u>	<u>(49,804)</u>	<u>-</u>	<u>1,404,124</u>
Business-type activities capital assets, net	<u>\$ 2,569,394</u>	<u>\$ 79,994</u>	<u>\$ -</u>	<u>\$ 2,649,388</u>

Depreciation expense for business-type activities for the fiscal year ended June 30, 2021 was charged as follows:

Business-Type Activities:	
Water	\$ 32,018
Sewer	67,526
Refuse	<u>30,540</u>
Total	<u>\$ 130,084</u>

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – LONG-TERM DEBT

A. Capital Leases

The City's has entered into various lease agreements as a lessee for financing the acquisition of various City vehicles and equipment. These lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The leases are secured by the related assets for the outstanding balance of the direct borrowing with varying rates of interest from 5.45% - 6.35%. The direct borrowings contain provisions whereby if the City is unable to make payment or does not comply with the lease purchase agreements, the issuer may declare all amounts due and payable. Total historical cost for leased assets at June 30, 2021 were \$294,809 with related accumulated depreciation of \$133,500. All amortized amounts are included in depreciation expense.

	Balance June 30, 2020	Incurred or Issued	Satisfied or Matured	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Direct Borrowing:					
Capital leases	\$ 73,510	\$ 27,937	\$ (34,520)	\$ 66,927	\$ 26,677
Total governmental activities	\$ 73,510	\$ 27,937	\$ (34,520)	\$ 66,927	\$ 26,677
Business-Type Activities:					
Direct Borrowing:					
Capital leases	\$ -	\$ 39,274	\$ (4,730)	\$ 34,544	\$ 10,238
Notes Payable	1,279,004	-	(109,081)	1,169,923	116,155
Total business-type activities	\$ 1,279,004	\$ 39,274	\$ (113,811)	\$ 1,204,467	\$ 126,393

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Capital Lease - Governmental Activities:

Fiscal Years Ending June 30	Principal	Interest	Total
2022	\$ 26,677	\$ 4,198	\$ 30,875
2023	24,315	2,139	26,454
2024	13,240	520	13,760
2025	2,695	25	2,720
Total	\$ 66,927	\$ 6,882	\$ 73,809

Capital Lease - Business-Type Activities:

Fiscal Years Ending June 30	Principal	Interest	Total
2022	\$ 10,238	\$ 1,794	\$ 12,032
2023	10,816	1,217	12,033
2024	11,497	535	12,032
2025	1,993	31	2,024
Total	\$ 34,544	\$ 3,577	\$ 38,121

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – LONG-TERM DEBT (Continued)

B. Notes Payable

2019 Refunding of USDA Wastewater Loan, Series 1991-A

On April 15, 2019, the City refinanced the Dos Palos Wastewater JPA Series-A debt in the City's name as a City obligation, for a total amount of \$1,385,050. The note has a stated interest rate of 3.02% and is payable in semi-annual payments in April and October. The City received nothing in exchange other than a reduction in the JPA's budgeted expense billings to the City. The note is secured by a pledge of net revenues from the City's Sewer Fund. There is a provision in the agreement whereby if the City is unable to make payment or does not comply with the covenants of the agreement, the issuer may declare all amounts due and payable.

The annual debt service requirements to maturity of the 2019 Refunding of USDA Wastewater Loan are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2022	116,155	33,578	149,733
2023	118,719	30,031	148,750
2024	121,102	26,410	147,512
2025	123,298	22,719	146,017
2026	129,507	18,902	148,409
2027-2031	<u>561,142</u>	<u>34,499</u>	<u>595,641</u>
Total	<u>\$ 1,169,923</u>	<u>\$ 166,139</u>	<u>\$ 1,336,062</u>

NOTE 7 – COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt is expected to be paid in future years from future resources. There is no fixed payment schedule for compensated absences. In prior years, compensated absences have been liquidated primarily by the General Fund and the proprietary funds.

The balance of compensated absences for the Governmental Activities and Business-Type Activities at June 30, 2021 were as follows:

	Balance June 30, 2021	Due Within One Year
Governmental Activities	<u>\$ 134,482</u>	<u>\$ 36,174</u>
Business-Type Activities	<u>\$ 111,613</u>	<u>\$ 51,561</u>

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – NON-CITY OBLIGATIONS - PUBLIC FINANCING AUTHORITY

The Dos Palos Public Financing Authority (the Authority) was established pursuant to a Joint Exercise of Powers Agreement dated October 17, 1989, by and between the City and the Redevelopment Agency of the City of Dos Palos (the Agency). The Authority was created for the purpose of providing financing for public capital improvements for the City, the Agency and other local agencies. While the Authority could be considered a component unit of the City for financial reporting purposes, its financial activity (assets, liabilities, equity and revenue) is not reported within the funds of the City, because all of its debt is non-commitment debt secured solely by the revenue stream from special assessment districts who benefit from infrastructure improvements financed by the Authority. Cash held by the City on a temporary basis for the Authority is reported as an Agency Fund.

The Authority has issued two series of Local Agency Revenue Bonds as follows:

Series A - Issued April 1, 1990 in the amount of \$12,100,000 with interest at 7.90%, payable semi-annually on October 1st and April 1st of each year, commencing October 1, 1990.

Series B - Issued April 1, 1990 in the amount of \$400,000 with interest at 11.00%, payable semi-annually on October 1st and April 1st of each year commencing October 1, 1990.

The bonds are special obligations of the Authority payable solely from the Series A and B revenues and investment earnings. The bonds are not a debt or liability of the City, the Agency or the State of California and will be payable solely from the funds generated by the Authority.

NOTE 9 – JOINT VENTURES

The City is a member of two joint ventures, the "Water Quality Improvement Joint Powers Agency For The Dos Palos Area" (JPA) and the "Wastewater Disposal Joint Powers Agency For The Dos Palos Area". These joint ventures do not meet the criteria for inclusion in the City's financial statements because the City does not exercise control over them. A brief description of each JPA's activity is reported below:

A. Water Quality Improvement Joint Powers Agency for The Dos Palos Area

The City is a participant in this JPA whose responsibility is to establish a common water supply and delivery system for the member participants.

The participants in this JPA and their share of participation are as follows:

City of Dos Palos	69%
South Dos Palos J.P.A.	23%
Eastside Water Association	4%
B&B Water Association	4%
	<hr/>
Total	100%
	<hr/>

The governing Board consists of two members from each entity who are solely responsible for establishing rates. A budget is prepared and adopted on an annual basis. Complete financial statements for Water Quality Improvement Joint Powers Agency For The Dos Palos Area can be obtained from the Agency's contract office at the City of Dos Palos at 1546 Golden Gate Ave., Dos Palos, California.

The City is contingently liable for its pro-rata portion of the loan made by the Farmers Home Administration (FMHA) to finance the infrastructure of this project.

**CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – JOINT VENTURES (Continued)

B. Wastewater Disposal Joint Powers Agency for The Dos Palos Area

The City is a participant in this JPA whose responsibility is to maintain a common wastewater treatment and disposal system for the member participants.

The participants in this JPA and their share of participation are as follows:

City of Dos Palos	77%
South Dos Palos Co. Water District	12%
Midway Community Services District	11%
	<hr/>
Total	100%
	<hr/>

The governing Board consists of two members from each entity who are solely responsible for establishing rates. A budget is prepared and adopted on an annual basis. Complete financial statements for Wastewater Disposal Joint Powers Agency For The Dos Palos Area can be obtained from the Agency's contract office at the City of Dos Palos at 1546 Golden Gate Ave., Dos Palos, California.

NOTE 10 – RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City retains the risk for the first \$25,000 in claims paid for Auto and General Liability claims. Workers' Compensation risk is also retained for the first \$10,000 in claims paid. The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$1,000,000 and workers' compensation losses under \$50,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – RISK MANAGEMENT (Continued)

The financial position and results of operations for the CSJVRMA (audited), as of June 30, 2021, are presented below:

Total assets	\$ 150,621,596
Total liabilities	<u>129,774,819</u>
 Total net position	 <u>\$ 280,396,415</u>
 Revenues	 \$ 55,391,674
Expenses	<u>54,309,239</u>
 Change in net position	 <u>\$ 1,082,435</u>

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Activities

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

B. Federal and State Grant Programs

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

C. Water Tower Maintenance Contract

The City signed a multi-year maintenance contract with Utility Service Company to renovate and repair its 250,000-gallon water storage tower. The contract calls for the City to pay \$38,867 annually to the company for five years.

D. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus, COVID-19, a pandemic. Accordingly, some functions of the City's operations were limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RETIREMENT PLANS

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The rate plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	1st Tier	PEPRA
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 67
Monthly benefits, as a % of annual salary	2.0 % to 3.0%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	14.729%	7.732%

	Safety	
	1st Tier	PEPRA
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3.00%	2.0% to 2.7%
Required employee contribution rates	9%	13%
Required employer contribution rates	22.437%	13.044%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$233,224 for the fiscal year ended June 30, 2021.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RETIREMENT PLANS (Continued)

A. General Information about the Pension Plan (Continued)

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City's contributions to the plan recognized as part of pension expense for the year ended June 30, 2021 were \$360,044.

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

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,492,682.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.0310%
Proportion - June 30, 2020	0.0321%
Change - Increase (Decrease)	0.0011%

For the year ended June 30, 2021, the City recognized pension expense of \$639,076. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 429,793	\$ -
Changes of assumptions	-	20,485
Differences between actual and expected experience	210,279	-
Net differences between projected and actual earnings on plan investments	94,473	-
Change in employer's proportion	139,994	-
Differences between the employer's actual contributions and the employer's proportionate share of contributions	-	210,393
Total	<u>\$ 874,539</u>	<u>\$ 230,878</u>

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RETIREMENT PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$429,793 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30	
2022	16,488
2023	82,024
2024	69,503
2025	45,853
2026	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry- Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% ⁽¹⁾
	Derived using CalPERS
Mortality	Membership Data for all Funds ⁽²⁾

⁽¹⁾ Net of pension plan investment expenses, including inflation.

⁽²⁾ The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RETIREMENT PLANS (Continued)

C. Actuarial Assumptions (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

D. Discount Rate

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1-10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

^(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% used for this period.

^(c) An expected inflation of 2.92% used for this period.

CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – RETIREMENT PLANS (Continued)

D. Discount Rate (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$ 5,415,150	\$ 3,492,682	\$ 1,908,599

E. Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTE 13 – DEFICIT FUND BALANCE

The following funds contained a deficit fund balance as of June 30, 2021. Future revenues or transfers from other funds are expected to offset these deficits.

Nonmajor Governmental Funds	
CMAQ Fund	\$ 1,346
DOJ Tobacco Grant Fund	33,969
Major Enterprise Funds	
Refuse Fund	\$ 207,140

**CITY OF DOS PALOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

A. Implementation of GASB 84

The City has restated the net position for custodial funds in accordance with GASB 84 Fiduciary Activities. The beginning net position of the fund identified below has been restated as presented in the following reconciliation:

	Fiduciary Custodial Funds
Net position, June 30, 2020, as previously reported	\$ -
Change in accounting principle:	
Record the beginning custodial net position in compliance with GASB 84	<u>558,664</u>
Total change in accounting principle	<u>558,664</u>
Net position, July 1, 2020, as restated	<u>\$ 558,664</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOS PALOS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 403,000	\$ 403,000	\$ 395,606	\$ (7,394)
Property taxes - in-lieu of vehicle license fees	200,000	200,000	484,560	284,560
Sales and use taxes	430,000	430,000	549,627	119,627
Other taxes	15,000	15,000	13,087	(1,913)
Intergovernmental	40,500	40,500	168,978	128,478
Licenses, fees and permits	167,100	167,100	199,779	32,679
Other	6,100	6,100	24,032	17,932
Charges for services	240,000	240,000	165,116	(74,884)
Fines, forfeitures and penalties	3,500	3,500	3,279	(221)
Investment income	15,800	15,800	4,977	(10,823)
Total revenues	<u>1,521,000</u>	<u>1,521,000</u>	<u>2,009,041</u>	<u>488,041</u>
EXPENDITURES				
Current:				
General government	197,000	197,000	229,734	(32,734)
Public safety	1,115,000	1,115,000	1,426,426	(311,426)
Public works	129,000	129,000	147,630	(18,630)
Parks	64,000	64,000	175,352	(111,352)
Recreation	16,000	16,000	2,987	13,013
Debt service:				
Principal	-	-	27,929	(27,929)
Interest	-	-	6,641	(6,641)
Total expenditures	<u>1,521,000</u>	<u>1,521,000</u>	<u>2,016,699</u>	<u>(495,699)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(7,658)</u>	<u>(7,658)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	122,989	122,989
Capital leases	-	-	27,937	27,937
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>150,926</u>	<u>150,926</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>143,268</u>	<u>\$ 143,268</u>
Fund balance - beginning			<u>1,724,243</u>	
Fund balance - ending			<u>\$ 1,867,511</u>	

CITY OF DOS PALOS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
MEASURE V FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Other taxes	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 807,859</u>	<u>\$ 567,859</u>
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>807,859</u>	<u>567,859</u>
EXPENDITURES				
Current:				
Public works	<u>240,000</u>	<u>240,000</u>	<u>513,315</u>	<u>(273,315)</u>
Total expenditures	<u>240,000</u>	<u>240,000</u>	<u>513,315</u>	<u>(273,315)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>294,544</u>	<u>294,544</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>294,544</u>	<u>\$ 294,544</u>
Fund balance - beginning			<u>732,362</u>	
Fund balance - ending			<u>\$ 1,026,906</u>	

CITY OF DOS PALOS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. As a General Law City, the City is not legally required to adopt a budget; however, the City Council's policy is to adopt an annual line-item budget for the General, Special Revenue, and Enterprise Funds to maintain administrative control. This budget is adopted in total by resolution and, accordingly, the legal level of control of expenditures for the City as a whole. The City Manager may authorize budget transfers between funds or departments, provided the budgeted expenditures in total do not increase. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for all capital project funds.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2021, expenditures exceeded appropriations in individual fund as follows:

<u>Appropriations Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Current:			
General government	\$ 197,000	\$ 229,734	\$ (32,734)
Public safety	1,115,000	1,426,426	(311,426)
Public works	129,000	147,630	(18,630)
Parks	64,000	175,352	(111,352)
Debt service:			
Principal	-	27,929	(27,929)
Interest	-	6,641	(6,641)
Measure V Fund:			
Current:			
Public works	\$ 240,000	\$ 513,315	\$ (273,315)

CITY OF DOS PALOS
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Proportion of the net pension liability	0.0246%	0.0270%	0.0293%	0.0297%	0.0301%	0.0310%	0.0321%
Proportionate share of the net pension liability	\$ 1,543,673	\$ 1,850,619	\$ 2,531,729	\$ 2,949,546	\$ 2,903,279	\$ 3,178,282	\$ 3,492,682
Covered payroll	\$ 962,437	\$ 1,129,984	\$ 1,125,105	\$ 1,322,138	\$ 1,083,931	\$ 1,013,390	\$ 1,303,412
Proportionate share of the net pension liability as a percentage of covered payroll	160.39%	163.77%	225.02%	223.09%	267.85%	313.63%	267.96%
Plan fiduciary net position as a percentage of the total pension liability	84.51%	82.11%	76.68%	76.02%	77.47%	76.99%	75.63%

Notes to Schedule:

Changes in Benefit Terms - None

Changes of Assumptions - None

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF DOS PALOS
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 157,550	\$161,715	\$ 250,448	\$ 265,564	\$ 274,479	\$ 304,502	\$ 360,044	\$ 429,793
Contributions in relation to the actuarially determined contributions	<u>157,550</u>	<u>161,715</u>	<u>250,448</u>	<u>265,564</u>	<u>274,479</u>	<u>304,502</u>	<u>360,044</u>	<u>429,793</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 962,437	\$1,129,984	\$ 1,125,105	\$ 1,322,138	\$ 1,083,931	\$ 1,013,390	\$ 1,303,412	\$ 1,501,616
Contributions as a percentage of covered payroll	16.37%	14.31%	22.26%	20.09%	25.32%	30.05%	27.62%	28.62%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

CITY OF DOS PALOS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Storm Drain Fees	Cops Hiring Grant 2014	Gas Tax 2106	Gas Tax 2107	Traffic Congestion Relief	Gas Tax 2107.5	Gas Tax 2105	Gas Tax 2103	STP Exchange
ASSETS									
Cash and cash equivalents	\$ 15,293	\$ -	\$ 4,845	\$ -	\$ 18,762	\$ 2,117	\$ 7,344	\$ 11,735	\$ -
Receivables	21	61,297	-	-	-	-	-	-	67,031
Total assets	<u>\$ 15,314</u>	<u>\$ 61,297</u>	<u>\$ 4,845</u>	<u>\$ -</u>	<u>\$ 18,762</u>	<u>\$ 2,117</u>	<u>\$ 7,344</u>	<u>\$ 11,735</u>	<u>\$ 67,031</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78	\$ 1,180	\$ 1,197
Due to other funds	-	59,249	-	-	-	-	-	-	24,197
Total liabilities	<u>-</u>	<u>59,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>1,180</u>	<u>25,394</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)									
Restricted for:									
Public safety	-	2,048	-	-	-	-	-	-	-
Street maintenance	15,314	-	-	-	18,762	-	7,266	-	41,637
Economic development	-	-	-	-	-	-	-	-	-
Housing rehab	-	-	-	-	-	-	-	-	-
Unassigned	-	-	4,845	-	-	2,117	-	10,555	-
Total fund balances (deficits)	<u>15,314</u>	<u>2,048</u>	<u>4,845</u>	<u>-</u>	<u>18,762</u>	<u>2,117</u>	<u>7,266</u>	<u>10,555</u>	<u>41,637</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 15,314</u>	<u>\$ 61,297</u>	<u>\$ 4,845</u>	<u>\$ -</u>	<u>\$ 18,762</u>	<u>\$ 2,117</u>	<u>\$ 7,344</u>	<u>\$ 11,735</u>	<u>\$ 67,031</u>

CITY OF DOS PALOS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
(Continued)

	TEA Exchange	CMAQ Fund	Local Transportation Fund	RMRA	DOJ Tobacco Grant Fund	CDBG Grant Fund	CDBG Grant	EDBG Grant	CDBG Grant	Totals
ASSETS										
Cash and cash equivalents	\$ 63	\$ -	\$ 45,778	\$ 52,971	\$ -	\$ 43,975	\$ 5,000	\$ 63,088	\$ -	\$ 270,971
Receivables	-	-	-	10,022	25,348	217,491	155,908	811	116,617	654,546
Total assets	\$ 63	\$ -	\$ 45,778	\$ 62,993	\$ 25,348	\$ 261,466	\$ 160,908	\$ 63,899	\$ 116,617	\$ 925,517
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,455
Due to other funds	-	1,346	-	-	59,317	-	-	-	-	144,109
Total liabilities	-	1,346	-	-	59,317	-	-	-	-	146,564
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)										
Restricted for:										
Public safety	-	-	-	-	-	-	-	-	-	2,048
Street maintenance	63	-	45,778	62,993	-	-	-	-	-	191,813
Economic development	-	-	-	-	-	-	-	63,899	-	63,899
Housing rehab	-	-	-	-	-	261,466	160,908	-	116,617	538,991
Unassigned	-	(1,346)	-	-	(33,969)	-	-	-	-	(17,798)
Total fund balances (deficits)	63	(1,346)	45,778	62,993	(33,969)	261,466	160,908	63,899	116,617	778,953
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 63	\$ -	\$ 45,778	\$ 62,993	\$ 25,348	\$ 261,466	\$ 160,908	\$ 63,899	\$ 116,617	\$ 925,517

CITY OF DOS PALOS
COMBINING STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Storm Drain Fees	Cops Hiring Grant 2014	Gas Tax 2106	Gas Tax 2107	Traffic Cong Relief	Gas Tax 2107.5	Gas Tax 2105	Gas Tax 2103	STP Exchange
REVENUES									
Intergovernmental revenues	\$ -	\$ 161,307	\$ 17,101	\$ 38,234	\$ -	\$ 2,000	\$ 28,255	\$ 37,001	\$ 194,574
Use of money and property	<u>147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>147</u>	<u>161,307</u>	<u>17,101</u>	<u>38,234</u>	<u>-</u>	<u>2,000</u>	<u>28,255</u>	<u>37,001</u>	<u>194,574</u>
EXPENDITURES									
Current:									
Public safety	-	179,660	-	-	-	-	-	-	-
Public works	14,648	-	15,115	31,643	-	1,707	27,932	27,691	123,407
Community development	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,648</u>	<u>179,660</u>	<u>15,115</u>	<u>38,234</u>	<u>-</u>	<u>1,707</u>	<u>27,932</u>	<u>27,691</u>	<u>123,407</u>
Revenues over (under) expenditures	<u>(14,501)</u>	<u>(18,353)</u>	<u>1,986</u>	<u>-</u>	<u>-</u>	<u>293</u>	<u>323</u>	<u>9,310</u>	<u>71,167</u>
Fund balances - beginning	<u>29,815</u>	<u>20,401</u>	<u>2,859</u>	<u>-</u>	<u>18,762</u>	<u>1,824</u>	<u>6,943</u>	<u>1,245</u>	<u>(29,530)</u>
Fund balances - ending	<u>\$ 15,314</u>	<u>\$ 2,048</u>	<u>\$ 4,845</u>	<u>\$ -</u>	<u>\$ 18,762</u>	<u>\$ 2,117</u>	<u>\$ 7,266</u>	<u>\$ 10,555</u>	<u>\$ 41,637</u>

CITY OF DOS PALOS
COMBINING STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

	TEA Exchange	CMAQ Fund	Local Transp Fund	RMRA	DOJ Tobacco Grant Fund	CDBG Grant	CDBG Grant	EDBG Grant	CDBG Grant	Totals
REVENUES										
Intergovernmental revenues	\$ -	\$ 7,994	\$ 5,466	\$ 101,847	\$ 40,746	\$ -	\$ -	\$ -	\$ -	\$ 634,525
Use of money and property	-	-	-	-	-	-	-	-	-	147
Total revenues	-	7,994	5,466	101,847	40,746	-	-	-	-	634,672
EXPENDITURES										
Current:										
Public safety	-	-	-	-	74,371	-	-	-	-	254,031
Public works	-	302	-	241,703	-	-	-	-	-	484,148
Community development	-	-	-	-	-	14,658	-	-	-	14,658
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	6,591
Total expenditures	-	302	-	241,703	74,371	14,658	-	-	-	759,428
Revenues over (under) expenditures	-	7,692	5,466	(139,856)	(33,625)	(14,658)	-	-	-	(124,756)
Fund balances - beginning, as restated	63	(9,038)	40,312	202,849	(344)	276,124	160,908	63,899	116,617	903,709
Fund balances - ending	\$ 63	\$ (1,346)	\$ 45,778	\$ 62,993	\$ (33,969)	\$ 261,466	\$ 160,908	\$ 63,899	\$ 116,617	\$ 778,953

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OTHER AUDITOR'S REPORT

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

To the Honorable Mayor and City Council
City of Dos Palos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dos Palos, California (the City), 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 and have issued our report thereon dated September 16, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2021-002, 2021-003, and 2021-004 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
September 16, 2022

FINDINGS AND QUESTIONED COSTS

**CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Capital Assets & Construction in Progress (Material Weakness)

Condition:

During our audit of the city’s capital assets and construction in progress activity, we identified the following misstatements:

1. Approximately \$254,000 of capitalized expenses that did not meet the criteria for capitalization (Water Fund) but were improperly included on the City’s depreciation schedule.
2. Approximately \$157,000 of expenses related to distribution system repairs that did meet the criteria for capitalization but were improperly excluded from the City’s depreciation schedule.

Criteria:

Generally accepted accounting principles require that assets used in City operations that are expected to provide benefits for greater than one year be capitalized and depreciated over the expected useful life of the asset. This includes all costs incurred by the organization required to obtain and place the asset in operation. In addition, outlays that serve to only maintain an assets utility should not be capitalized. Outlays resulting in an assets increased utility or extended useful life should be capitalized.

Cause:

The City does not have a closing process that adequately and accurately ensures all capital related expenditures recorded to the general ledger are reclassified as capital assets at year-end. Specifically, outlays for capital related projects were recorded to professional services and distribution system repair accounts that were not identified as such at year-end.

Effect:

Capital assets in the Water Fund and Business Type Activities were overstated by approximately \$97,000 net, respectively.

Recommendation:

We recommend the City create a closing process that includes the identification of all capital related expenditures, and to ensure the amounts meeting the City’s criteria for capitalization are properly reported as additions to capital assets. In addition, all city projects should be reviewed at the on-set of the project to ensure a proper determination is made regarding the capitalization of any related expenses/expenditures.

Management’s Response:

The City will create a closing process to include all capital related expenditures. As City projects are done, they will be reviewed and the City will make a determination if it is to a Capital Asset.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2021-002 – Journal Entry Review (Significant Deficiency)

Condition:

During our testing of manual journal entries posted to the City's accounting software, we determined that there is no process for documenting the review and approval of the journal entries. Additionally, there is no process for reviewing journal entries prepared by the Finance Director.

Criteria:

A strong system of internal controls allows for proper segregation of duties and, when not feasible, adequate levels of documented review and approval from management.

Cause:

The City's current internal control processes do not require that journal entries be reviewed and approved by someone other than the preparer.

Effect:

Increased risk of misstatement due to fraud or error.

Recommendation:

We recommend that the City create a process whereby all journal entries are reviewed and approved by someone other than the preparer. Due to limitations of resources in the Finance Department, we recommend that entries posted by the Finance Director be reviewed and approved by the City Manager or other designee. At a minimum, journal entries affecting the City's cash balances should be reviewed by the City Manager or other designee and documented as such.

Management's Response:

The City has a process where all journal entries prepared by staff are reviewed and approved by the Director of Finance. The City has hired two new full time employees. The Senior employee has been trained and will review and approve the Director of Finance's journal entries. Any journal entries that would need higher approval will be approved by the City Manager.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2021-003 – Segregation of Duties (Significant Deficiency)

Condition:

Upon gaining an understanding of the City's control processes and procedures, we determined that incompatible duties are performed by the same employee with limited subsequent review by another party.

Criteria:

A strong system of internal controls requires the segregation of duties of certain processes to reduce the risk of misstatement due to error or fraud. In general, the following functions should be performed by separate employees as they are deemed to be incompatible duties:

1. Custody of assets
2. Authorization or approval
3. Recording or reporting

Cause:

The Finance Department's size limits the ability for proper segregation of duties, however the control processes designed around this do not sufficiently reduce the risk of misstatement as a result of incompatible duties performed by the same employee.

Effect:

Increased risk of misstatement due to fraud or error.

Recommendation:

We recommend that the City review the current internal control processes for payroll, cash disbursements, and cash receipts and consider cross-training and reassigning tasks to employees to avoid incompatible duties performed by the same employee. In instances where this is not possible due to the limited human resources in the Finance Department, we recommend the City evaluate the benefit of having documented secondary reviews by management for all processes performed by employees with incompatible duties.

Management's Response:

The City has hired a full time bookkeeper position and a full time account tech position. The Finance Director has reviewed each position's duties and responsibilities including her own to determine how best to reassign duties. With three full time employees, the duties have been segregated.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2021-004 – Unbalanced Funds (Significant Deficiency)

Condition:

Upon receipt of the city's trial balance used for the audit, it was determined that the city's Refuse Fund was out of balance by approximately \$10,000.

Criteria:

A strong system of internal controls should include a process to ensure all manual adjustments posted to the accounting system are appropriate.

Cause:

The City's current internal control processes do not require that journal entries be reviewed and approved by someone other than the preparer. As a result, a one-sided entry was posted to the system that resulted in an unbalanced trial balance within the Refuse Fund.

Effect:

Increased risk of misstatement due to fraud or error.

Recommendation:

We recommend that the City create a process whereby all journal entries are reviewed and approved by someone other than the preparer. Due to limitations of resources in the Finance Department, we recommend that entries posted by the Finance Director be reviewed and approved by the City Manager or other designee. At a minimum, journal entries affecting the City's cash balances should be reviewed by the City Manager or other designee and documented as such.

Management's Response:

The City will have journal entries that affect the City's cash balances reviewed and signed by the City Manager.

**CITY OF DOS PALOS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENT FINDINGS

Finding 2020-001 – Unavailable Revenues (Material Weakness)

Condition:

During our testing of governmental receivables at year-end, it was determined the City recorded receipts as revenues that were not received within the period of availability.

Criteria:

Generally accepted accounting principles require that the receipt of payments after the period of availability (60 days per the City's policy) be reclassified from revenues to unavailable revenues (a deferred inflow of resources) on the City's balance sheet to reflect current financial resources per the modified accrual basis of accounting (required reporting for governmental funds).

Cause:

The City does not have a closing process that adequately ensures all relevant generally accepted accounting principle adjustments are posted to the trial balance at year-end.

Effect:

Revenues reported in the STP Exchange fund were overstated by approximately \$128,000 and deferred inflows of resources were understated by the same amount.

Recommendation:

We recommend the City create a process to identify all amounts recorded as governmental receivables that are received in cash subsequent to the period of availability, and to ensure the amounts are properly recorded in the City's general ledger as deferred inflows of resources.

Status:

Implemented.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2020-002 – Capital Assets (Significant Deficiency)

Condition:

During our audit we determined that disbursements recorded to governmental and enterprise funds meeting the criteria for capitalization as a capital asset were improperly excluded as additions in the current year.

Criteria:

Generally accepted accounting principles require that assets used in City operations that are expected to provide benefits for greater than one year be capitalized and depreciated over the expected useful life of the asset. This includes all costs incurred by the organization required to obtain and place the asset in operation.

Cause:

The City does not have a closing process that adequately ensures all capital related expenditures recorded to the general ledger are reclassified as capital assets at year-end. Specifically, outlays for capital related projects were recorded to "Professional Services" accounts that were not identified as such at year-end.

Effect:

Capital assets in the Water Fund and Governmental Activities were understated by approximately \$37,000 and \$39,000, respectively.

Recommendation:

We recommend the City create a closing process that includes the identification of all capital related expenditures, and to ensure the amounts meeting the City's criteria for capitalization are properly reported as additions to capital assets.

Status:

Not implemented, see current year financial statement findings.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2020-003 – Journal Entry Review (Significant Deficiency)

Condition:

During our testing of manual journal entries posted to the City's accounting software, we determined that there is no process for documenting the review and approval of the journal entries. Additionally, there is no process for reviewing journal entries prepared by the Finance Director.

Criteria:

A strong system of internal controls allows for proper segregation of duties and, when not feasible, adequate levels of documented review and approval from management.

Cause:

The City's current internal control processes do not require that journal entries be reviewed and approved by someone other than the preparer.

Effect:

Increased risk of misstatement due to fraud or error.

Recommendation:

We recommend that the City create a process whereby all journal entries are reviewed and approved by someone other than the preparer. Due to limitations of resources in the Finance Department, we recommend that entries posted by the Finance Director be reviewed and approved by the City Manager or other designee. At a minimum, journal entries affecting the City's cash balances should be reviewed by the City Manager or other designee and documented as such.

Status:

Not implemented, see current year financial statement findings.

CITY OF DOS PALOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2020-004 – Segregation of Duties (Significant Deficiency)

Condition:

Upon gaining an understanding of the City's control processes and procedures, we determined that incompatible duties are performed by the same employee with limited subsequent review by another party.

Criteria:

A strong system of internal controls requires the segregation of duties of certain processes to reduce the risk of misstatement due to error or fraud. In general, the following functions should be performed by separate employees as they are deemed to be incompatible duties:

1. Custody of assets
2. Authorization or approval
3. Recording or reporting

Cause:

The Finance Department's size limits the ability for proper segregation of duties, however the control processes designed around this do not sufficiently reduce the risk of misstatement as a result of incompatible duties performed by the same employee.

Effect:

Increased risk of misstatement due to fraud or error.

Recommendation:

We recommend that the City review the current internal control processes for payroll, cash disbursements, and cash receipts and consider cross-training and reassigning tasks to employees to avoid incompatible duties performed by the same employee. In instances where this is not possible due to the limited human resources in the Finance Department, we recommend the City evaluate the benefit of having documented secondary reviews by management for all processes performed by employees with incompatible duties.

Status:

Not implemented, see current year financial statement findings.