City of Avenal

California

Report on Financial Statements

For the Year Ended June 30, 2019

CITY OF AVENAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Avenal, 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 Avenal, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 Avenal, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 August 25, 2019, on our consideration of the City'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 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 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.

Sotomayor & Associates, LLP

Sotomayor & Associates, LLP
Certified Public Accountants

August 25, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF AVENAL
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 6,257,956	$ 6,560,009	$ 12,817,965
Cash with fiscal agent	853,667	-	853,667
Receivables:			
Consumer receivables	-	461,209	461,209
Taxes	233,531	-	233,531
Intergovernmental	1,519,818	-	1,519,818
Community loans	12,340,530	-	12,340,530
Notes	68,000	-	68,000
Internal balances	3,426,846	(3,426,846)	-
Due from Successor Agency	2,225,000	-	2,225,000
Inventories	-	71,153	71,153
Other assets	-	12,962	12,962
Non-depreciable	1,898,906	101,000	1,999,906
Depreciable, net of accumulated depreciation	18,753,655	12,342,046	31,095,701
Total assets	47,577,909	16,121,533	63,699,442
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	1,222,960	510,236	1,733,196
Deferred outflows from OPEB	113,323	60,062	173,385
Total deferred outflows of resources	1,336,283	570,298	1,906,581
LIABILITIES			
Accounts payable	1,047,728	255,455	1,303,183
Accrued interest payable	111,323	-	111,323
Consumer deposits	-	63,061	63,061
Due to Successor Agency	304,514	-	304,514
Due in one year:			
Compensated absences	154,291	17,766	172,057
Revenue bond payable	370,000	-	370,000
Noncurrent liabilities:			
Compensated absences	15,230	74,553	89,783
Revenue bond payable	5,585,000	-	5,585,000
Net pension liability	1,511,392	1,302,433	2,813,825
Other postemployment benefit obligation	9,144,333	4,846,446	13,990,779
Total liabilities	18,243,811	6,559,714	24,803,525
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	72,625	53,918	126,543
Deferred inflows from OPEB	376,123	199,344	575,467
Total deferred inflows of resources	448,748	253,262	702,010
NET POSITION			
Net investment in capital assets	14,697,562	12,443,046	27,140,608
Restricted for:			
Highway and streets	1,315,048	-	1,315,048
Community development	1,528,679	-	1,528,679
Unrestricted	12,680,344	(2,564,191)	10,116,153
Total net position	$ 30,221,633	$ 9,878,855	$ 40,100,488

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

CITY OF AVENAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 1,708,904	$ 66,594	$ 81,713	-	$ (1,560,597)	$ -	$ (1,560,597)
Building regulations	138,382	-	-	-	(138,382)	-	(138,382)
Planning	-	(47,169)	-	-	(47,169)	-	(47,169)
Community development	3,832,686	267,046	4,155,898	-	590,258	-	590,258
Public safety:						-	
Law enforcement	3,769,500	138,725	-	-	(3,630,775)	-	(3,630,775)
Animal control	208,142	26,368	-	-	(181,774)	-	(181,774)
Parks and recreation	490,320	11,062	-	-	(479,258)	-	(479,258)
Highway & Streets	1,348,800	-	1,207,255	-	(141,545)	-	(141,545)
Interest on long-term debt	269,954	-	-	-	(269,954)	-	(269,954)
Total governmental activities	11,766,688	462,626	5,444,866	-	(5,859,196)	-	(5,859,196)
Business-type activities:							
Water	3,391,241	2,802,909	-	-	-	(588,332)	(588,332)
Sewer	1,881,344	1,660,078	-	-	-	(221,266)	(221,266)
Solid waste	829,837	570,937	118,228	-	-	(140,672)	(140,672)
Street light	57,671	59,277	-	-	-	1,606	1,606
Total business-type activities	6,160,093	5,093,201	118,228	-	-	(948,664)	(948,664)
Total	$ 17,926,781	$ 5,555,827	$ 5,563,094	$ -	$ (5,859,196)	$ (948,664)	$ (6,807,860)
General revenues:							
Taxes:							
Property taxes					463,875	-	463,875
Sales taxes					401,272	-	401,272
Franchise taxes					304,918	-	304,918
Other taxes					8,053	-	8,053
Motor vehicle in-lieu					2,049,584	-	2,049,584
Rental income					478,201	-	478,201
Investment income					59,121	39,162	98,283
Miscellaneous					366,555	44,132	410,687
Transfers					(113,659)	153,659	40,000
Total general revenues and transfers					4,017,920	236,953	4,254,873
Change in net position					(1,841,276)	(711,711)	(2,552,987)
Net position - beginning					32,067,625	10,586,133	42,653,758
Prior period restatement*					(4,716)	4,433	(283)
Net position - beginning (restated)					32,062,909	10,590,566	42,653,475
Net position - ending					$ 30,221,633	$ 9,878,855	$ 40,100,488

* Prior period adjustment is required due to correction of interest income in various funds and Avenal City Operating Authority Fund balance not reported

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

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FUND FINANCIAL STATEMENTS

CITY OF AVENAL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Avenal Public Financing Authority Debt Service Fund	CalHOME Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Home Investment Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	$ 3,958,869	$ -	$ 64,618	$ 66,065	$ 66,580	$ 34,670	$ 2,067,155	$ 6,257,957
Cash with fiscal agent	246,000	607,667	-	-	-	-	-	853,667
Receivables:								
Taxes	233,531	-	-	-	-	-	-	233,531
Intergovernmental	-	-	-	-	-	1,022,739	497,079	1,519,818
Community loans	-	-	2,691,908	5,536,720	4,111,902	-	-	12,340,530
Notes	68,000	-	-	-	-	-	-	68,000
Interfund receivables	345,745	-	-	-	-	-	-	345,745
Due from Successor Agency	-	2,225,000	-	-	-	-	-	2,225,000
Advances to other funds	-	3,730,000	-	-	-	-	-	3,730,000
Total assets	$ 4,852,145	$ 6,562,667	$ 2,756,526	$ 5,602,785	$ 4,178,482	$ 1,057,409	$ 2,564,234	$ 27,574,248
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 403,977	$ -	$ -	$ -	$ -	$ 607,950	$ 35,801	$ 1,047,728
Due to Successor Agency	-	304,513	-	-	-	-	-	304,513
Interfund payables	-	-	-	-	-	66,335	279,397	345,732
Advances from other funds	-	303,154	-	-	-	-	13	303,167
							-	
Total liabilities	403,977	607,667	-	-	-	674,285	315,211	2,001,140
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - loans	-	-	2,691,908	5,536,720	4,111,902	-	-	12,340,530
Total deferred inflows of resources	-	-	2,691,908	5,536,720	4,111,902	-	-	12,340,530
Fund balances:								
Nonspendable:								
Notes receivable	68,000	-	-	-	-	-	-	68,000
Restricted for:								
Public safety	312,901	-	-	-	-	-	-	312,901
Highways and streets	-	-	-	-	-	383,124	931,924	1,315,048
Community development	-	-	64,618	66,065	66,580	-	1,331,418	1,528,681
Debt service	-	5,955,000	-	-	-	-	-	5,955,000
Committed:								
Capital projects	792,072	-	-	-	-	-	98,149	890,221
Assigned:								
General government	177,468	-	-	-	-	-	-	177,468
Unassigned	3,097,727	-	-	-	-	-	(112,468)	2,985,259
Total fund balances	4,448,168	5,955,000	64,618	66,065	66,580	383,124	2,249,023	13,232,578
Total liabilities and fund balances	$ 4,852,145	$ 6,562,667	$ 2,756,526	$ 5,602,785	$ 4,178,482	$ 1,057,409	$ 2,564,234	$ 27,574,248

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

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

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

Total fund balances - governmental funds	$	13,232,578
Capital assets used in governmental activities were not current financial resources and, therefore, were not reported in the governmental funds.		20,652,559
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds balance sheet:		
Net pension liability		(1,511,392)
Other postemployment benefits		(9,144,333)
Loan payable		(5,955,000)
Compensated absences		(169,521)
Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(111,323)
Pension related deferrals are reported as deferred outflows and inflows of resources on the Statement of Net Position.		1,150,335
Post employment benefit deferrals are reported as deferred outflows and inflows of resources on the Statement of Net Position		(262,800)
Other long-term assets are not available to pay for current period expenditures and, therefore, they are deferred in the governmental funds.		12,340,530
Net position of governmental activities	$	30,221,633

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

CITY OF AVENAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Avenal Public Financing Authority Debt Service Fund	CalHOME Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Home Investment Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	2,508,894	-	-	-	-	-	-	2,508,894
Other taxes	718,293	-	-	-	-	-	-	718,293
Intergovernmental revenues	173,818	-	-	-	-	3,627,926	1,697,069	5,498,813
Charges for services	16,551	-	-	-	-	-	-	16,551
Licenses and permits	284,567	-	-	-	-	-	-	284,567
Fines and penalties	23,810	-	-	-	-	-	-	23,810
Investment income	55,920	-	32	23	115	38	2,993	59,121
Rents	474,241	-	-	-	-	-	3,960	478,201
Loan repayments	-	-	-	32,630	14,627	-	-	47,257
Other revenue	150,708	269,954	-	-	-	-	-	420,662
Total revenues	4,406,802	269,954	32	32,653	14,742	3,627,964	1,704,022	10,056,169
EXPENDITURES								
Current:								
General government	645,647	-	-	-	-	-	43,777	689,424
Building regulation	136,996	-	-	-	-	-	-	136,996
Community development	363,202	-	-	-	228,781	3,287,432	346,603	4,226,018
Public safety:								
Law enforcement	3,190,694	-	-	-	-	-	-	3,190,694
Animal control	204,791	-	-	-	-	-	-	204,791
Parks and recreation	668,556	-	-	-	-	-	33,961	702,517
Highways and streets	-	-	-	-	-	-	446,297	446,297
Capital outlay:								
General government	306,098	-	-	-	-	-	-	306,098
Building regulation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Public safety:								
Law enforcement	25,000	-	-	-	-	-	-	25,000
Animal control	-	-	-	-	-	-	-	-
Parks and recreation	598	-	-	-	-	-	17,767	18,365
Highways and streets	-	-	-	-	-	-	8,274	8,274
Debt service:			-					
Principal	-	360,000	-	-	-	-	-	360,000
Interest	-	269,954	-	-	-	-	-	269,954
Total expenditures	5,541,582	629,954	-	-	228,781	3,287,432	896,679	10,584,428
Excess (deficiency) of revenues over (under) expenditures	(1,134,780)	(360,000)	32	32,653	(214,039)	340,532	807,343	(528,259)
OTHER FINANCING SOURCES (USES)								
Transfers in	121,140	-	-	-	-	-	-	121,140
Transfers out	(104,058)	-	-	-	-	-	(170,741)	(274,799)
Total other financing sources (uses)	17,082	-	-	-	-	-	(170,741)	(153,659)
Net change in fund balances	(1,117,698)	(360,000)	32	32,653	(214,039)	340,532	636,602	(681,918)
Fund balances - beginning	5,560,470	6,315,000	64,586	33,412	280,619	42,592	1,622,533	13,919,212
Prior Period adjustments	5,396	-	-	-	-	-	(10,112)	(4,716)
Fund balances - ending	$ 4,448,168	$ 5,955,000	$ 64,618	$ 66,065	$ 66,580	$ 383,124	$ 2,249,023	$ 13,232,578

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

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

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

Net change in fund balances - total governmental funds	$	(681,918)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are capitalized. This is the amount of capital assets recorded.		821,886
Depreciation expense on capital assets is reported in the government-wide statement as changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(1,447,026)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(61,608)
Community loans are reported in the governmental funds as expenditures and are not expenses in the statement of activities. This is the amount of community loans given.		22,902
Compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is reported as an expenditure in the governmental funds.		2,251
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net position.		360,000
Other post-employment benefit expense is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, the expense is not reported as an expenditure in the governmental funds.		(857,763)
Change in net position of governmental activities	$	(1,841,276)

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

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PROPRIETARY FUNDS

CITY OF AVENAL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
ASSETS					
Current assets:					
Cash and investments	$ 2,527,248	$ 2,892,835	$ 633,406	$ 506,520	$ 6,560,009
Consumer receivables	261,681	136,288	58,224	5,016	461,209
Supplies inventory	64,149	7,004	-	-	71,153
Other assets	12,962	-	-	-	12,962
Total current assets	2,866,040	3,036,127	691,630	511,536	7,105,333
Noncurrent assets:					
Advances to other funds	303,154	-	-	-	303,154
Capital assets:					
Nondepreciable	100,000	-	1,000	-	101,000
Depreciable, net	9,266,379	2,514,422	-	561,245	12,342,046
Total noncurrent assets	9,669,533	2,514,422	1,000	561,245	12,746,200
Total assets	12,535,573	5,550,549	692,630	1,072,781	19,851,533
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from OPEB	30,031	30,031	-	-	60,062
Deferred outflows from pensions	205,251	268,610	36,375	-	510,236
Total deferred outflows of resources	235,282	298,641	36,375	-	570,298
LIABILITIES					
Current liabilities:					
Accounts payable	170,486	39,304	43,071	2,594	255,455
Deposits	63,121	(14)	(32)	(14)	63,061
Compensated absences	6,111	10,962	693	-	17,766
Total current liabilities	239,718	50,252	43,732	2,580	366,282
Noncurrent liabilities:					
Advances from other funds	3,730,000	-	-	-	3,730,000
Compensated absences	25,648	45,999	2,906	-	74,553
Net pension liability	523,921	685,660	92,852	-	1,302,433
Other postemployment benefits obligation	2,423,223	2,423,223	-	-	4,846,446
Total noncurrent liabilities	6,702,792	3,154,882	95,758	-	9,953,432
Total liabilities	6,942,510	3,205,134	139,490	2,580	10,289,714
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from OPEB	99,672	99,672	-	-	199,344
Deferred inflows from pensions	21,690	28,385	3,843	-	53,918
Total deferred inflows of resources	121,362	128,057	3,843	-	253,262
NET POSITION					
Net investment in capital assets	9,366,379	2,514,422	1,000	561,245	12,443,046
Unrestricted	(3,659,396)	1,577	584,672	508,956	(2,564,191)
Total net position	$ 5,706,983	$ 2,515,999	$ 585,672	$ 1,070,201	$ 9,878,855

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

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

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
Operating revenues					
Charges for services	$ 2,776,446	$ 1,628,286	$ 570,937	$ 59,277	$ 5,034,946
Operating expenses:					
Personnel costs	990,527	1,134,599	110,571	11	2,235,708
Operations	447,001	82,118	-	-	529,119
Contract services	-	-	623,339	-	623,339
Franchise	84,172	-	-	-	84,172
Utilities	832,939	176,345	-	29,449	1,038,733
Administration	327,792	333,792	95,927	-	757,511
Depreciation	525,542	154,490	-	28,211	708,243
Total operating expenses	3,207,973	1,881,344	829,837	57,671	5,976,825
Operating income (loss)	(431,527)	(253,058)	(258,900)	1,606	(941,879)
Nonoperating revenues (expenses):					
Connection fees	26,463	23,362	-	-	49,825
Other revenue	31,143	-	11,887	1,102	44,132
Other surcharges and surtaxes	-	-	118,228	-	118,228
Interest income	28,008	8,295	2,615	244	39,162
Department of Correction	-	8,430	-	-	8,430
Interest expense	(183,268)	-	-	-	(183,268)
Total nonoperating revenues (expenses)	(97,654)	40,087	132,730	1,346	76,509
Other financing sources (uses):					
Transfers in	21,044	-	132,615	-	153,659
Total other financing sources (uses)	21,044	-	132,615	-	153,659
Change in net position	(508,137)	(212,971)	6,445	2,952	(711,711)
Net position - beginning	6,211,840	2,728,107	578,937	1,067,249	10,586,133
Prior period restatement*	3,280	863	290	-	4,433
Net position - beginning (restated)	6,215,120	2,728,970	579,227	1,067,249	10,590,566
Net position - ending	$ 5,706,983	$ 2,515,999	$ 585,672	$ 1,070,201	$ 9,878,855

* Prior period adjustment is required due to correction of interest income in various funds and Avenal City Operating Authority Fund balance not reported

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

CITY OF AVENAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Sewer Fund	Solid Waste Fund	Street Light Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 2,778,603	$ 1,622,422	$ 570,417	$ 59,224	$ 5,030,666
Cash payments to suppliers for goods and services	(1,668,379)	(595,483)	(7,618)	(27,250)	(2,298,730)
Cash payments to employees for services	(768,582)	(920,332)	(106,838)	(10)	(1,795,762)
Cash payments to Other	-	-	(719,266)	-	(719,266)
Net cash provided (used) by operating activities	341,642	106,607	(263,305)	31,964	216,908
Cash flows from noncapital financing activities:					
Prior period adjustment	3,280	863	290	-	4,433
Cash received/paid from other funds	(108,956)	-	132,615	1,102	24,761
Cash received for connection fees	57,606	31,792	130,115	-	219,513
Net cash provided (used) by noncapital financing activities	(48,070)	32,655	263,020	1,102	248,707
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(21,676)	-	-	-	(21,676)
Gain (Loss) on Disposal of Equipment	1,791				1,791
Interest paid on capital debt	(183,268)	-	-	-	(183,268)
Net cash provided (used) by capital and related financing activities	(203,153)	-	-	-	(203,153)
Cash flows from investing activities:					
Interest on investments	28,008	8,295	2,615	244	39,162
Net cash provided (used) by investing activities	28,008	8,295	2,615	244	39,162
Increase (decrease) in cash and cash equivalents	118,427	147,557	2,330	33,310	301,624
Cash and cash equivalents - July 1	2,408,821	2,745,278	631,076	473,210	6,258,385
Cash and cash equivalents - June 30	$ 2,527,248	$ 2,892,835	$ 633,406	$ 506,520	$ 6,560,009
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ (431,527)	$ (253,058)	$ (258,900)	$ 1,606	$ (941,879)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	525,542	154,490	-	28,211	708,243
Changes in assets, deferred outflows of resources, Liabilities and deferred inflow of resources:					
(Increase) decrease in consumer receivables	2,157	(5,865)	(520)	(53)	(4,281)
(Increase) decrease in supplies inventory	-	-	-	-	-
(Increase) decrease in receivables from other funds	11,104	-	-	-	11,104
(Increase) decrease in deferred outflows of resources for pensions	5,766	13,405	(1,851)	-	17,320
(Increase) decrease in deferred outflows of resources for OPEB	(6,629)	(6,629)	-	-	(13,258)
Increase (decrease) in accounts payable	(25,446)	(3,227)	(7,618)	2,200	(34,091)
Increase (decrease) in consumer deposits	37,866	-	-	-	37,866
Increase (decrease) in compensated absences payable	3,030	7,615	472	-	11,117
Increase (decrease) in other postemployment benefits obligation	319,320	319,320	-	-	638,640
Increase (decrease) in net pension liability	(11,486)	(29,888)	5,255	-	(36,119)
Increase (decrease) in deferred inflows of resources for pensions	(2,670)	(4,171)	(143)	-	(6,984)
Increase (decrease) in deferred inflows of resources for OPEB	(85,385)	(85,385)	-	-	(170,770)
Net cash provided (used) by operating activities	$ 341,642	$ 106,607	$ (263,305)	$ 31,964	$ 216,908

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

CITY OF AVENAL
STATEMENT OF FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
JUNE 30, 2018

	Trust Funds
ASSETS	
Current assets:	
Cash and investments	$ 501,573
Due from City of Avenal	313,973
Total current assets	815,546
Land Inventory	-
Total noncurrent assets	-
Total assets	815,546
LIABILITIES	
Current liabilities:	
Accounts payable	2,820
Total current liabilities	2,820
Due to City of Avenal Public Finance Authority	2,225,000
Total noncurrent liabilities	2,225,000
Total liabilities	2,227,820
NET POSITION	
Held in trust	$ (1,412,274)

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

CITY OF AVENAL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
JUNE 30, 2018

		Trust Funds
ADDITIONS		
Intergovernmental revenues	$	387,366
Interest		5,823
Total additions		393,189
DEDUCTIONS		
Planning and community development		165,829
Bond principal payments		-
Interest and fiscal charges		108,120
Total deductions		273,949
Change in net position		119,240
Net position - beginning		(1,531,514)
Net position - ending	$	(1,412,274)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Avenal (the "City") was incorporated in 1979 as a general law city. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: public safety (law enforcement, animal control, and emergency services), water utility, sanitation (solid waste disposal and sanitary wastewater), parks and recreation, planning and community development, public works, street maintenance, building regulation and general administrative services.

The accompanying basic financial statements include the financial activities of the City; the primary government; and its component unit, the Avenal Public Financing Authority (the "Authority"). Financial information for the City and this component unit are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Authority. As such, this entity is presented on a blended basis. No separate annual financial statements are prepared for the Authority.

Blended Component Units

The **Avenal Public Financing Authority** (the Authority) is a joint exercise of powers authority organized and existing under and pursuant to a Joint Exercise of Powers Agreement dated March 20, 1989. The agreement is between the City and the Authority, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing for public capital improvements to be owned by the City or the Authority. The City Council acts as the governing board of the Authority and is responsible for the Authority's fiscal and administrative activities. The funds of the Authority have been included in the governmental activities of the financial statements.

Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to/Due from Other Funds, Advance to Other Funds/Advance from Other Funds, and Transfers In/Transfer Out.

Fund Financial Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financials is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. All accompanying schedules are presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Propriety fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Avenal Public Financing Authority Debt Service Fund** is used to account for the repayment of debt issued by the Avenal Public Financing Authority.

The **CalHOME Special Revenue Fund** is used to account for CalHOME grant activities.

The **HOME Program Income Special Revenue Fund** is used to account for HOME Investment Partnership loan repayments. Receipts are transferred to the appropriate funds.

The **CDBG Program Income Special Revenue Fund** is used to account for community development block grant loan repayments.

The **HOME Investment Special Revenue Funds** is used for federal HOME Investment Partnership grants activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major enterprise fund.

The City has four enterprise funds – the Water, Sewer, Solid Waste, and Street Light – which are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that the costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major proprietary funds:

The **Water Fund** is used to account for financial activity of the water utility system.

The **Sewer Fund** is used to account for the financial activity of the sewage collections wastewater treatment utility system.

The **Solid Waste Fund** is used to account for the financial activity of the solid waste utility system.

The **Street Light Fund** is used to account for the financial activity of the street light system.

The City's fiduciary funds represent agency trust funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency trust funds are accounted for on an *economic resources* measurement focus and accrual basis of accounting.

The City reports the following fiduciary fund:

The **Successor Agency of the Redevelopment Agency** is used to account for assets liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

Measurement Focus Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements – Governmental funds are reported using current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. In addition, the City applies all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements, to its business-type activities.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of each fund. Nonoperating revenues, such as interest income, state and federal grants, and subsidies, result from nonexchange transactions or ancillary activities. Operating expenses include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as non-operating expenses.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

All cash and cash equivalents of the proprietary funds are pooled with the City's pooled cash and cash equivalents.

The City follows the practice of pooling the cash from all funds for investment purposes.

Receivables

Proprietary fund receivables are shown net of allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as deferred revenue. Proprietary fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

The City accrues as receivable all property taxes received during the first sixty (60) days of the new fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Supplies Inventory and Prepaid Items

Inventory items are recorded as expenditures at the time of purchase. Records are not maintained for inventory and supplies on hand.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Transactions

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "interfund receivables/payables" (i.e. the current interfund loans) or "advances to/advances from" (i.e. the noncurrent interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at $5,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB Statement No. 34. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	10-50 years
Improvements	5-10 years
Machinery and equipment	3-25 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with this statement, the City has included the value of all infrastructure capital assets acquired since the beginning of the 2003 fiscal year into the current year basic financial statements.

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, parks and recreation improvement, storm water conveyance system, and buildings combined with the site amenities, such as parking and landscaped areas used by the City in the conduct of its business.

Interest Payable

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

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

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 unearned revenues related to intergovernmental revenues (primarily grants and subventions) received but not earned (qualifying expenditures not yet incurred).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Unavailable Revenue

In the 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. Typical transactions for which unavailable revenue is recorded are intergovernmental revenues when funding requirements have been met, but the related funding is not yet available.

Compensated Absences Payable

It is the City's policy to permit employees to accumulate a maximum amount of 320 hours of earned or unused vacation and sick leave. Sick leave is accumulated at 8 hours per month for full-time regular employees. Vacation is accumulated at 10 days per year for full-time regular employees with less than five years of service and employees earn an additional day for each year after five years. This amount is included as a liability in the government-wide and proprietary fund financial statements.

Long-Term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Avenal's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property Tax Calendar

Property taxes are assessed, collected and allocated by Kings County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment; February 1, 2nd installment
Delinquent Dates	December 10, 1st installment; April 10, 2nd installment

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year-end.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of other governments, and restrictions imposed by law through constitutional provisions and enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

Unrestricted net position – This category consists of all resources that do not meet the definition of "net investment in capital assets" or "restricted 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 resources first and then unrestricted resources as needed.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified inventories and prepaid items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments in all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

Summary of Deposits and Investments

A reconciliation of the City's deposit and investment balances as of June 30, 2019 is as follows:

Cash on hand	$	350
Primary government deposits		9,883,741
Local Agency Investment Fund		3,435,447
U.S. government securities		853,667
Total cash and investments	$	14,173,205
Government-Wide:		
Statement of Net Position:		
Cash and investments	$	12,817,965
Cash with fiscal agent		853,667
Fiduciary Funds		501,573
Total	$	14,173,205

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

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

Securities of U.S. Government, or its agencies
Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan companies
Negotiable Certificates of Deposit
Bankers' Acceptances
Local Agency Investment Fund deposits (state pool)
Repurchase Agreements (Repos)
Passbook savings account demand deposits

Investments Authorized by the Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risks, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in Non Issuer
U.S. Treasury Bonds/Bills	None	None	None
U.S. Government Agency Bonds	None	None	None
Negotiable Certificates of Deposit	365 days	None	None
Time Certificates of Deposit	365 days	None	None
Banker's Acceptances	365 days	None	None
Commercial Paper	365 days	None	None
Money Market Fund	None	None	None

All the City's investment activities were within State statutes and the City's investment policy.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. One of the ways the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 60 Months	More than 60 Months
State investment pool	$ 3,435,447	$ 3,435,447	$ -	$ -
Morgan Stanley certificate of deposit with Multi Bank Securities	246,000	-	246,000	-
Held by bond trustee:				
Treasury obligation funds	607,667	607,667	-	-
Total	$ 4,289,114	$ 4,043,114	$ 246,000	$ -

Concentration of Credit Risk

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. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments.

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 (where applicable) by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

			Rating as of Year-End	
Investment Type	Total	Exempt from Disclosure	AAAm	Not Rated
State investment pool	$ 3,435,447	$ 3,435,447	$	$ -
Morgan Stanley certificate of deposit with Multi Bank Securities	246,000	-	246,000	-
Held by bond trustee:				
Treasury obligation funds	607,667	-	607,667	-
Total	$ 4,289,114	$ 3,435,447	$ 853,667	$ -

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a city 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 deposits or investments, other than the following provision for deposits:

As of June 30, 2019, the carrying amount of the City's bank deposits was $ 9,883,742. Bank balances before reconciling items were $10,036,250 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

According to California law, the fair value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgages having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

Local Agency Investment Fund

The City participates in an external investment pool, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the city's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2019 balance was $ 3,435,447. A breakdown of the investments included in the balance is not available at the balance sheet date.

Investment Valuation

The City categorizes the fair value measurements 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, 2019:

Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Morgan Stanley certificate of deposit with Multi Bank Securities	246,000	246,000		-
Held by bond trustee:				
Treasury obligation funds	607,667	-	607,667	-
Total	$ 853,667	$ 246,000	$ 607,667	$ -

Treasury obligations categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

NOTE 3 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2019 is as follows:

Interfund Receivables/Payables

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2019, the interfund balances are as follows:

Due to Fund	Due from Fund	Amount
General Fund	Water Trans. Line Grant Fund	$ 115,221
General Fund	Community Development Block Grant Special Revenue Fund	15,710
General Fund	Parks and Recreation Special Revenue Fund	10,914
General Fund	HOME Investment Special Revenue Fund	66,335
General Fund	Avenal City Operating Authority	50,214
General Fund	Tire Amnesty Special Revenue Fund	87,351
	Total	$ 345,745

Long-Term Interfund Advances

At June 30, 2019, the funds below have made advances that were not expected to be repaid in one year or less.

Advances From	Advances To	Amount
Avenal Public Financing Authority Debt Service Fund	Water Fund	$ 3,730,000
Water Fund	Avenal Public Financing Authority Debt Service Fund	303,154
	Total	$ 4,033,154

Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Current year transfers included activity to recognize the refunding of debt. Transfers in and out consisted of the following as of June 30, 2019:

	Transfers In	Transfers Out	Reasons
Major Funds:			
Governmental funds:			
General Fund	$ 121,140	$ 104,058	Capital assets from capital improvement projects and 20% Cost of Refuse Service to Residents
Other governmental funds:			
Park and Recreation		107,440	Park and Recreation construction in progress
Capital Improvement Project Fund		63,301	Capital assets and construction in progress transfers
Enterprise funds:			
Water Fund	21,044		Capital assets from capital improvement projects and repair main pump No.1
Solid Waste Fund	132,615		20% Cost of Refuse Service to Residents
Total	$ 274,799	$ 274,799	

NOTE 4 – NOTES RECEIVABLE

On October 3, 2007, the City entered into an agreement with Avenal Sand Drags Association for the sale of land that includes the sand drag tracks with a sales price of $68,000 payable to the City. In 2014, the City approved an addendum to the agreement. The terms of the revised agreement call for five annual interest only payments commencing September 18, 2014, followed by 10 annual principal payments of $6,800 each, together with accrued interest commencing on September 18, 2019. The interest is a 5% fixed rate, simple interest. If the City determines that the sand drags tracks and/or other use conducted by Avenal Sand Drags Association are no longer in the best interest of the City, the City retains the right to repurchase the property for the original sales price. As of June 30, 2019, the balance of this note receivable was $68,000.

NOTE 5 – HOUSING LOANS RECEIVABLE

The housing grant funds expended are recorded as expenditures in the year the loans are made to participants even though the amounts will be recovered as the loans are paid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year that such payments are received. Loans which have monthly/annual activity are "performing" loans and are included as receivables and unavailable revenue. Such loans totaled $34,444 as of June 30, 2019. Deferred payment loans are not required to be paid back until the participating homeowner sells, transfers title to the property, or discontinues residence in the dwelling, at which time the full amount of the deferred loan is due. Deferred payment loans are "non-performing" loans that are also recorded as receivables and unavailable revenue. Such loans totaled $12,340,530 as of June 30, 2019.

NOTE 6 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2002-03 fiscal year in the government-wide statement of net position. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following tables present summary information on capital assets:

	Balances July 1, 2018	Increases	Decreases	Balances June 30, 2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,131,601	$ -	$ -	$ 1,131,601
Construction in progress	119,151	648,154	-	767,305
Total capital assets not being depreciated	1,250,752	648,154		1,898,906
Capital assets being depreciated:				
Buildings and improvements	10,581,800	-	-	10,581,800
Machinery and equipment	4,208,065	125,342	-	4,333,407
Infrastructure	25,045,811	48,390	-	25,094,200
Total capital assets being depreciated	39,835,676	173,732	-	40,009,407
Less accumulated depreciation for:				
Buildings and improvements	(2,882,524)	(289,194)	-	(3,171,718)
Machinery and equipment	(2,558,082)	(265,645)	-	(2,823,727)
Infrastructure	(14,368,120)	(892,190)	-	(15,260,309)
Total accumulated depreciation	(19,808,726)	(1,447,029)	-	(21,255,754)
Total capital assets being depreciated, net	20,026,950	(1,273,297)	-	18,753,655
Governmental activities capital assets, net	$ 21,277,702	$ (625,143)	$ -	$ 20,652,559

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

General government	$ 264,082
Community development	9,438
Parks and recreation	172,726
Highway and streets	842,572
Public safety	92,605
Public works	65,603
Total	$ 1,447,026

NOTE 6 – CAPITAL ASSETS (Continued)

	Balances July 1, 2018	Increases	Decreases	Balances June 30, 2019
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 101,000	$ -	$ -	$ 101,000
Total capital assets not being depreciated	101,000	-	-	101,000
Capital assets being depreciated:				
Buildings and improvements	7,838,695	-	-	7,838,695
Machinery and equipment	1,497,008	21,676	(4,299)	1,514,385
Utility system	20,225,347	-	-	20,225,347
Infrastructure	1,506,715	-	-	1,506,715
Total capital assets being depreciated	31,067,765	21,676	(4,299)	31,085,142
Less accumulated depreciation for:				
Buildings and improvements	(4,121,099)	(181,280)	-	(4,302,379)
Machinery and equipment	(1,033,663)	(74,023)	-	(1,107,686)
Utility system	(11,965,344)	(424,729)	2,508	(12,387,565)
Infrastructure	(917,255)	(28,211)	-	(945,466)
Total accumulated depreciation	(18,037,361)	(708,243)	2,508	(18,743,097)
Total capital assets being depreciated, net	13,030,404	(686,567)	(1,791)	12,342,046
Business-type activities capital assets, net	$ 13,131,404	$ (686,567)	(1,791)	12,342,046
Total capital assets	$ 34,409,105	$ (1,311,707)	$ (1,791)	$ 33,095,606

Depreciation expense on capital assets was charged to the business-type functions as follows:

Water	$ 525,542
Sewer	154,490
Solid Waste	-
Streetlight	28,211
Total	$ 708,243

NOTE 7 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	CalHome Special Revenue Fund	HOME Program Income Special Revenue Fund	CDBG Program Income Special Revenue Fund	Total
CalHOME loans	$ 2,691,908	$ -	$ -	$ 2,691,908
HOME loans	-	5,536,720	-	5,536,720
CDBG loan	-	-	4,111,902	4,111,902
Total	$ 2,691,908	$ 5,536,720	$ 4,111,902	$ 12,340,530

NOTE 8 – OPERATING LEASES

Rental Expense

The City entered into two lease agreements effective May 1, 2015 with Stanton Office Machine Company to lease copiers for City Hall and the Police Department. The City Hall copy machine lease is payable for 60 months with payments of $363 per month plus applicable taxes. The City Hall copy machine lease has a separate maintenance agreement, recorded as an expense at $115 per month plus applicable taxes. The Police Department copy machine lease is also payable for 60 months with payments of $218 per month plus applicable taxes. The Police Department copy machine lease also has a separate maintenance agreement, recorded as an expense at $155 per month plus applicable taxes. The total lease payment for the year ended June 30, 2019 was $12,179.14.

The City entered into a lease agreement effective March 1, 2015 with Avaya Financial Services to lease telephone equipment for City Hall. The telephone equipment lease is payable for 60 months with payments of $177 per month plus applicable taxes. The total lease payment for the year ended June 30, 2019 was $3,847.37.

Future minimum operating lease commitments are as follows:

Year Ending June 30,	
2020	9,928
$	9,928

Lease Between the City of Avenal and the Avenal Hospital District

A lease memorandum between the City of Avenal (the City) and the Avenal Hospital District (the District) provides for a below market rental rate of $1 per year from July 8, 2010 to December 31, 2015. There are two one-year options to renew the lease on the same terms and conditions. Although the Hospital District is a legal entity, there are no hospital services or operations at this facility. Part of the operations of the Avenal Police Department occupy this facility.

At the end of April 2018, a Joint Powers Agreement was signed which created the City of Avenal Operating Authority (CAOA). The members of this CAOA are the City of Avenal and the Avenal Hospital District (District).

Key provisions include, among others, the forgiveness of the $19,319 notes receivable owed to the City of Avenal for a 2011 Ford Van/Ambulance.

The City of Avenal Police Department is granted continued use of the property at 317 Alpine Street in Avenal, on the same terms as the current lease agreement dated July 8, 2010, including Addendum No. 1 dated December 10, 2015, for a period of fifty years. The City shall pay rent to the CAOA at $1 per year.

The City is responsible for management of the property, can charge the District for allocated staff time, and handles District funds to pay obligations. Also, the City does not assume any District obligations, holds the City harmless and indemnifies the City for claims related to District debt.

NOTE 9 – 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, amounting to $15,229 for governmental activities and $74,553 for business- type activities at June 30, 2019 is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the proprietary funds.

	Balance July 1, 2018	Incurred	Satisfied	Balance June 30, 2019	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	$ 171,772	$ 157,544	$ (159,796)	$ 169,520	$ 154,291	$ 15,230
Business-Type Activities:						
Compensated absences	$ 81,203	$ 36,187	$ (25,070)	$ 92,319	$ 17,766	$ 74,553

NOTE 10 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2019:

	Balance July 1, 2017	Incurred or Issued	Satisfied or Matured	Balance June 30, 2019	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Revenue bonds	$ 6,315,000	$ -	$ (360,000)	$ 5,955,000	$ 370,000	$ 5,585,000
Total governmental activities	$ 6,315,000	$ -	$ (360,000)	$ 5,955,000	$ 370,000	$ 5,585,000

Revenue Bonds

2005 Avenal Public Financing Authority Revenue Bonds

In September 2005, the City issued $9,660,000 in revenue bonds. The bonds refinance the 1997 Avenal Public Financing Authority Refunding Revenue Bonds. The bonds authorized and issued have stated interest rates for each payment starting at 2.875% per annum and increasing annually to prescribed increments not exceeding .5% through the term of the bonds to a maximum of 5.0% per annum. The interest rate at June 30, 2019 was 4.375% per annum. These bonds are special obligations of the Authority and are payable solely from Public Finance Authority revenues. The Public Financing Authority maintains $658,440 as a minimum reserve for the authorized bonds. Below is a schedule of remaining debt service:

	2005 Avenal Public Financing Authority Refunding Revenue Bonds		
Fiscal Years Ending	Principal	Interest	Total
2020	370,000	280,829	650,829
2021	390,000	264,155	654,155
2022	410,000	246,350	656,350
2023	425,000	227,563	652,563
2024-2028	2,100,000	805,250	2,905,250
2029-2033	1,130,000	429,250	1,559,250
2034-2037	1,130,000	116,750	1,246,750
Totals	$ 5,955,000	$ 2,370,147	$ 8,325,147

NOTE 11 – PENSION PLAN

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (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 of Avenal's (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 plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	On or after January1,2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.892%	6.842%
Unfunded accrued liability	$127,382	$1,811

	Safety 1st Tier	Safety PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 55	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 eligible compensation	2.4% to 3.0%	1.426% to 2.0%
Required employee contribution rates	9%	12%
Required employer contribution rates	17.614%	12,141%
Unfunded accrued liability	$47,989	$1,646

NOTE 11 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Beginning in fiscal year 2018, 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. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was $178,828 for the fiscal year ended June 30, 2019.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during 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.

The City's contributions to the plan for the year ended June 30, 2019 were $779,716.

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

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of $2,813,825.

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, 2018, 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, 2017, rolled forward to June 30, 2018, 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, 2018 and 2019 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2018	0.05909%	0.00922%	0.02905%
Proportion - June 30, 2019	0.06043%	0.00914%	0.02920%
Change - Increase/(Decrease)	0.00134%	(0.00008%)	0.00015%

For the year ended June 30, 2019, the City recognized pension expense of $810,331. At June 30, 2019, 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 measurement date	$ 779,716	$ -
Changes in assumptions	312,264	70,733
Differences between actual and expected experience	98,907	29,779
Net differences between projected and actual earnings on plan investments	14,891	-
Changes in employer's proportions	157,949	25,114
Differences between the employer's actual contributions and the employer's proportionate share of contributions	369,469	917
Total	$ 1,733,196	$ 126,543

NOTE 11 – PENSION PLAN (Continued)

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

$779,716 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, 2020. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2020	$	511,950
2021		346,909
2022		(7,722)
2023		(24,200)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20%[(1)]
Investment Rate of Return	7.50%[(2)]
Mortality	Derived using CalPERS' Membership Data for all Funds[(3)]

[(1)] Depending on age, service and type of employment

[(2)] Net of pension plan investment expenses, including inflation

[(3)] 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.

Change of Assumptions **–**In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016 valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

NOTE 11 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed that contributions from plan numbers 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 pension 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 best-estimate ranges of 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 rounded 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 to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[(a)]	Real Return Years 11+[(b)]
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100%		

[(a)] An expected inflation of 2.0% used for this period

[(b)] An expected inflation of 2.92% used for this period

NOTE 11 – PENSION PLAN (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 is -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Miscellaneous Plan	3,684,502	2,277,469	1,115,987
Safety Plan	852,845	536,356	277,050
Total	$ 4,537,348	$ 2,813,825	$ 1,393,037

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 a payable for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Plan Description

The City provides a self-funded, single employer, defined benefit plan to provide medical coverage for all eligible active and retired City employees. Retirees are currently covered by the CalPERS medical program as permitted under the Public Employees Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. This coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

B. Funding Policy

The City funds the benefits on a pay-as-you-go basis. The City's contribution for each employee shall be the amount necessary to pay the full cost of an employee's enrollment in a health benefit plan. Dependent coverage is available but, if elected, is paid by the employee. A covered spouse who survives the retiree, if entitled to survivor benefits under the CalPERS retirement program, may continue coverage and receive the premium subside for the remainder of his or her lifetime as well, provided they apply for benefits within 60 days of the employee's death.

C. Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active	52
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to, but not yet receiving benefits	0
Total	63

D. Contributions

The required contribution is based on projected pay-as-you-go financing requirements. For the measurement date ended June 30, 2018, the City's cash contributions were $135,116 in total payments, which were recognized as a reduction to the OPEB liability.

E. Change in Assumptions

The discount rate decreased from 3.13 percent at June 30, 2018 to 2.98 percent at June 30, 2019, resulting in a change in assumption in the amount of $420,572.

F. Discount Rate

The discount rate used was based on the Bond Buyer 20-bond General Obligation index. At June 30, 2019, the rate is 2.98 percent. The City does not prefund any portion of the OPEB liability; the funding is a "pay-as-you-go" method.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

G. Total OPEB Liability

Because the City has not contributed to a qualifying trust, the fiduciary net position of the plan is $0 and the net OPEB liability is by definition equal to the total OPEB liability. The City's total OPEB liability of $13,990,779 was based on an actuarial valuation as of June 30, 2018, a measurement date of June 30, 2018, and a discount rate of 3.13 percent. The results of the June 30, 2018 actuarial valuation were used to determine the total OPEB liability as of the June 30, 2018 measurement date, without adjustment.

The total OPEB liability was determined using an actuarial valuation as of June 30, 2018, using the following actuarial assumptions.

Actuarial Valuation Date	6/30/2017
Contribution Policy	Pay-as-you-go
Actuarial Cost Method	Entry Age Normal Cost, Level Percent of Pay
Discount Rate	3.13% at June 30, 2017 (Bond Buyer 20 Index) 2.92% at June 30, 2018 (Bond Buyer 20 Index)
General Inflation	2.75% per annum
Mortality, Disability, Termination, Retirement	CalPERS 2014 Experience Study
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally from 2008
Salary Increases	3.25% per year
Medical Trend	8.00% in 2019 decreasing to 5.00% in 2025 and later
Healthcare Participation at Retirement	Active employees and current retirees: 100% for the member's lifetime
Spouse Participation	75% are assumed to be married participants who will choose to cover a spouse in retirement
Medical Plan at Retirement	Active employees and current retirees under age 65: Coverage is assumed to continue in the medical plan offered by the City until age 65. Current Medicare-eligible retirees: Those currently covered by a supplemental plan are assumed to remain in that plan until the retiree's death.

H. Changes in the OPEB Liability

The components of the City of Avenal's total OPEB liability as of June 30, 2019, were as follows:

		Total OPEB Liability
Balance at 6/30/18*	$	12,147,423
Changes for the year:		
Service cost		1,143,993
Interest		413,907
Assumption changes		420,572
Benefit payments and refunds		(135,116)
Net Changes		1,843,356
Balance at 6/30/19**	$	13,990,779

*Measurement date 6/30/17
**Measurement date 6/30/18

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Current - 1% 1.98%	Current 2.98%	Current + 1% 3.98%
Total OPEB Liability	$ 17,302,685	$ 13,990,779	$ 11,487,991

J. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Current - 1%	Current Trend	Current + 1%
Total OPEB Liability	$ 11,028,469	$ 13,990,779	$ 18,103,509

K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of $1,312,102. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 173,385	$ -
Changes of assumptions	380,517	955,984
Total	$ 553,902	$ 955,984

The $173,385 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2020	$ (72,413)
2021	(72,413)
2022	(72,413)
2023	(72,413)
2024	(72,413)
Thereafter	(213,402)
Total	$ (575,467)

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of cities for workers' compensation programs and the pooled liability program in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors which meets three to four 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 CSJVRMA.

CSJVRMA provides $4,500,000 coverage limits in excess of the retained limit of $500,000 and also participates in the California Association of Counties Excess Insurance Authority (CSAC-EIA) for coverage in excess of $5,000,000 up to the statutory limit.

Under the pooled liability program, expected claims are actuarially determined and deposited with CSJVRMA along with all estimated operating costs. Each year is retrospectively adjusted five years following its conclusion and any funds remaining are returned to the City. Likewise, funds paid out in excess of the City's original deposit are collected from the City. The risk sharing pool covers the first $1,000,000 of losses. CSJVRMA is a member of the California Affiliated Risk Management Authorities (CARMA), which provides coverage in excess of the retained limit up to $29,000,000.

The latest financial information and the most current information available for CSJVRMA for the fiscal year ended June 30, 2019:

Total assets	$	128,442,162
Total liabilities		109,661,346
Member's equity	$	18,780,816
Total revenues	$	47,181,439
Total expenses		52,250,549
Excess of income (loss) over expenses	$	(5,069,110)

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 governing documents.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

General Liability

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 City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Landfill

The City entered into a lease agreement with Madera Disposal Systems, Inc., a California Corporation. Madera Disposal Systems, Inc. will lease the City's landfill site. They will assume all liabilities associated with the landfill and in return they will pay the City a set rental fee plus $30 per ton of waste accepted over 300 tons daily. The City will also have a guaranteed rate on tipping fees for City waste. The lease is for the permitted life on the landfill which ends in year 2029.

NOTE 15 – DEFICIT FUND EQUITY

The following funds had deficit fund balances as of June 30, 2019:

Governmental Funds:		
Nonmajor Funds:		
Tire Amnesty Special Revenue Fund	$	87,351
Community Development Block Grant Fund		6,337
Water Trans Line Grant Fund		101,060
Avenal City Operating Authority		50,193

NOTE 16 – SUCCESSOR AGENCY TRUST FUND

On January 26, 2013, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Assembly Bill 1X26 as part of City Resolution Number 2013-11.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably for the City.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Long-Term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2019 was comprised of the following:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Avenal 2005 Refunding Revenue Bond	$ 2,455,000	$ -	$ (230,000)	$ 2,225,000	$ 235,000

2005 Avenal Public Finance Authority Refunding Revenue Bonds

In September 2005, the Agency issued $4,585,000 in Refunding Revenue Bonds. The proceeds were used to refinance the 1997 Tax Allocation Bonds. The bonds authorized and issued have stated interest rates for each payment starting at 2.875% per annum and increasing annually in prescribed increments not exceeding .5% through the term of the bonds to a minimum of 5.0% per annum. The interest rate at June 30, 2019, was 4.375% per annum. The 2005 Revenue Refunding Bonds are repaid from the property tax revenues collected on properties within the redevelopment project area. The debt agreement requires a reserve account to be held by the trustee. Interest earned on the reserve account is applied to the interest owed.

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long Term Debt (Continued)

Annual debt service requirements to maturity for the Avenal 2005 Revenue Refunding Bonds are as follows:

Fiscal Years Ending	Principal	Interest	Total
2020	$ 235,000	$ 100,491	$ 335,491
2021	250,000	89,850	339,850
2022	260,000	78,500	338,500
2023	270,000	66,575	336,575
2024	280,000	53,500	333,500
2025-2027	930,000	71,250	1,001,250
Total	$ 2,225,000	$ 460,166	$ 2,685,166

NOTE 17 – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19), a global pandemic recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses and shelter in place orders for all but those essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although many of the City of Avenal's services are considered essential, City Hall was closed to the public, certain other services transitioned to online-only and because the City's major revenue sources, including businesses that collect sales taxes, are directly impacted by these events, it is probable that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be estimated at this time.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

The total fund balances at July 1, 2019 were restated as follows:

	General Fund	Capital Improvement Project Fund	Water Fund	Sewer Fund	Solid Waste Fund	Avenal City Operating Authority
Fund balance at July 1, 2018 as previous reported	5,560,470	119,018	6,211,840	2,728,107	578,937	-
Interest Income Restated	5,396	264	3,280	863	290	
Net change in fund balance restatement						(10,376)
Fund Balance at July 1, 2018 as restated	5,565,866	119,280	6,215,120	2,728,970	579,227	(10.376)

The correction resulted in the restatement of beginning total fund balance for various funds to correct interest income not previously reported and fund balance for Avenal City Operating Authority not reported.

NOTE 18 – PRONOUNCEMENTS

(1) New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 *Postponement of The Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions pronouncements are postponed by one year.

(2) New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

Governmental Accounting Standards Board Statement No.88

In March 2018, the GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* GASB Statement No.88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87, *Leases.* GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

Governmental Accounting Standards Board Statement No.91

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations.* GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the City's year ending June 30, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AVENAL
REQUIRED SUPPLEMENTARY
SCHEDULE OF CHANGES IN THE CITY'S NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2019

Fiscal Year Ending	**2019**	**2018**
Measurement Date	06/30/2018	06/30/2017
Discount Rate on the Measurement Date	2.98%	3.13%
Total OPEB Liability		
Service Cost	$ 1,143,993	$ 1,262,350
Interest	413,907	349,207
Changes of Benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	420,572	(1,180,920)
Benefit payments	(135,116)	(101,917)
Net change in total OPEB liability	1,843,356	328,720
Total OPEB liability - beginning	12,147,423	11,818,703
Total OPEB liability – ending (a)	13,990,779	12,147,423
Plan fiduciary net position – beginning	-	-
Plan fiduciary net position – ending (b)	-	-
Net OPEB liability – ending (a) – (b)	$ 13,990,779	12,147,423
Covered-employee payroll	3,437,200	3,389,109
Net OPEB liability as a % of covered-employee payroll	407.04%	358.43%

CITY OF AVENAL
REQUIRED SUPPLEMENTARY
PROPORTIONATE SHARE OF NET PENSION
LIABILITY LAST TEN YEARS*

	2016	2017	2018	2019
Proportion of the net pension liability	0.0283%	0.0285%	0.0291%	0.0292%
Proportionate share of the net pension liability	$ 1,944,365	$ 2,464,592	$ 2,880,505	$ 2,813,825
Covered payroll	$ 2,516,715	$ 2,711,383	$ 2,814,525	$ 3,146,140
Proportionate share of the net pension liability as percentage of covered payroll	77.26%	90.90%	102.34%	89.44%
Plan fiduciary net position as a percentage of the total pension liability	78.22%	75.77%	75.19%	77.84%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions

In fiscal year end June 30, 2018, the discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent to correct for an adjustment to exclude administrative expense.

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

CITY OF AVENAL
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS*

	2016	2017	2018	2019
Actuarily required contribution (actuarially determined)	$ 536,542	$ 505,516	$ 559,335	$ 677,015
Contributions in relation to the actuarially determined contributions	536,542	505,516	559,335	677,015
Contribution deficiency (excess)	$ -	-	-	-
Covered payroll	$ 2,516,715	$ 2,711,383	$ 2,814,525	$ 3,146,140
Contributions as a percentage of covered	21.32%	18.64%	19.87%	21.52%

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

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	$ 2,798,000	$ 2,798,000	$ 2,508,894	$ (289,106)
Other taxes	568,350	568,350	718,293	149,943
Intergovernmental revenues	1,018,413	1,018,413	173,818	(844,595)
Charges for services	129,420	129,420	16,551	(112,869)
Licenses and permits	228,200	228,200	284,567	56,367
Fines and penalties	5,660	5,660	23,810	18,150
Investment income	28,630	28,630	55,920	27,290
Rent	472,500	472,500	474,241	1,741
Other revenue	200,786	200,786	150,708	(50,078)
Total revenues	5,449,959	5,449,959	4,406,802	(1,043,157)
EXPENDITURES				
Current services:				
General government	751,081	751,081	645,647	105,434
Building regulations	170,000	170,000	136,996	33,004
Community development	518,750	518,750	363,202	155,548
Public safety:				
Law enforcement	3,476,330	3,476,330	3,190,694	285,636
Animal control	215,300	215,300	204,791	10,509
Parks and recreation	706,870	706,870	668,556	38,314
Capital outlay:				
General government	35,500	35,500	306,098	(270,598)
Community development	-	-	-	-
Parks and recreation	32,000	32,000	598	31,402
Public safety:				
Law enforcement	48,862	48,862	25,000	23,862
Animal control	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	5,954,693	5,954,693	5,541,582	413,111
Excess (deficiency) of revenues over (under) expenditures	(504,734)	(504,734)	(1,134,780)	(630,046)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 120,000	$ 120,000	$ 121,140	$ 1,140
Transfers out	(132,000)	(132,000)	(104,058)	27,942
Total other financing sources (uses)	(12,000)	(12,000)	17,082	29,082
Net change in fund balances	(516,734)	(516,734)	(1,117,698)	(600,964)
Fund balance - beginning	5,560,470	5,560,470	5,560,470	-
Prior period adjustment	-	-	5,396	5,396
Fund balance - ending	$ 5,043,736	$ 5,043,736	$ 4,448,168	$ (595,568)

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CalHOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
	$	$	$	$
Intergovernmental revenues	1,500	1,500	-	(1,500)
Investment income	30	30	32	2
Loan repayments	500	500	-	(500)
Total revenues	2,030	2,030	32	(1,998)
EXPENDITURES				
Current services:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	2,030	2,030	32	(1,998)
OTHER FINANCING SOURCES (USES)				
	$	$	$	$
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	2,030	2,030	32	(1,998)
Fund balance - beginning	64,586	64,586	64,586	-
Fund balance - ending	$ 66,616	$ 66,616	$ 64,618	$ (1,998)

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
HOME PROGRAM INCOME SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment income	$ 5	$ 5	$ 23	$ 18
Loan repayments	5,600	5,600	32,630	27,030
Total revenues	5,605	5,605	32,653	27,048
EXPENDITURES				
Transfers in	-	-	-	-
Community development	-	-	-	-
Net change in fund balances	5,605	5,605	32,653	27,048
Fund balance - beginning	33,412	33,412	33,412	-
Fund balance - ending	$ 39,017	$ 39,017	$ 66,065	$ 27,048

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
CDBG PROGRAM INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment income	$ 10	$ 10	$ 115	$ 105
Loan repayments	29,400	29,400	14,627	(14,773)
Total revenues	29,410	29,410	14,742	(14,668)
EXPENDITURES				
Community development	-	-	228,781	(228,781)
Total expenditures	-	-	228,781	(228,781)
Excess (deficiency) of revenues over (under) expenditures	29,410	29,410	(214,039)	(243,449)
Net change in fund balances	29,410	29,410	(214,039)	(243,449)
Fund balance - beginning	-	-	280,619	280,619
Fund balance - ending	$ 29,410	$ 29,410	$ 66,580	$ 37,170

CITY OF AVENAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
HOME INVESTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues	$ 5,106,381	$ 5,106,381	$ 3,627,926	$ (1,478,455)
Investment income	-	-	38	38
Total revenues	5,106,381	5,106,381	3,627,964	(1,478,417)
EXPENDITURES				
Current services:				
Community development	5,013,718	5,013,718	3,287,432	1,726,286
Total expenditures	5,013,718	5,013,718	3,287,432	1,726,286
Excess (deficiency) of revenues over (under) expenditures	92,663	92,663	340,532	247,869
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	92,663	92,663	340,532	247,869
Fund balance - beginning	42,592	42,592	42,592	-
Fund balance - ending	$ 135,255	$ 135,255	$ 383,124	$ 247,869

CITY OF AVENAL
NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – BUDGETARY INFORMATION

The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.

3. Prior to June 1, the budget is legally adopted through passage of a resolution. This budget is reported as Original Budget in the budgetary comparison schedules.

4. During the fiscal year, changes to the adopted budget may be authorized as follows:

    a) Items requiring City Council action – appropriation of fund balance revenues, transfers of appropriations between funds, appropriation of any non-departmental revenue, new interfund loans or advances, and creation of new capital projects or increases to existing capital projects.

    b) Items delegated to the City Manager – transfers between departments within funds, appropriation of unbudgeted departmental revenues, and approval of transfers which increase salary and benefit appropriations.

    c) Item delegated to department head – allocation of departmental appropriations to line item level.

5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue or enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service fund is also approved as part of the budget process.

6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.

7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization, or an entire department having multiple organizations with the same fund, or an entire fund.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

The following fund incurred expenditures in excess of appropriations in the following amount for the year ended June 30, 2019:

CDBG Program Income Special Revenue Fund	
Community development	$ 228,781

The excess expenditures were covered by available fund balance in the funds.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Local Transportation Funds
To account for Local Transportation Fund tax revenue restricted to street maintenance and construction.

Tire Amnesty Special Revenue Fund
To account for CalRecycle grant funding for the cost of cleanup, abatement and other actions related to the disposal of waste tires at cleanup projects and amnesty events.

Gas Tax Special Revenue Fund
To account for the City's apportioned share of revenue assessed by the State of California on the sale of gasoline in the State. The funds are to be used exclusively for maintenance and improvement of the City's streets and roads.

Community Development Block Grant Funds
To account for annual federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate-income residents.

Parks and Recreation Grants Funds
To account for expenditures of the park and recreation grants from the State of California.

Capital Projects Funds
To account for financial resources to be used for the acquisition or construction of major capital facilities and improvements (other than those financed by proprietary funds).

Capital Improvement Project Fund
To accumulate revenues to fund specific projects designated by the City Council.

Avenal City Operating Authority Fund
To account for the financial resources to be used in the management of the Ken Brown Public Safety Center.

CITY OF AVENAL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTALFUNDS
JUNE 30, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ 1,969,006	$ 98,149	$ 2,067,155
Receivables:			
Intergovernmental	497,079	-	497,079
Total assets	$ 2,466,085	$ 98,149	$ 2,564,234
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 35,801	$ -	$ 35,801
Interfund payables	279,410	-	279,410
Total liabilities	315,211	-	315,211
Fund balances:			
Restricted for:			
Highways and streets	931,924	-	931,924
Community development	1,331,418	-	1,331,418
Committed:			
Capital projects	-	98,149	98,149
Unassigned	(112,468)	-	(112,468)
Total fund balances	2,150,874	98,149	2,249,023
Total liabilities and fund balances	$ 2,466,085	$ 98,149	$ 2,564,234

CITY OF AVENAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTALFUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	$ 1,657,069	$ 40,000	$ 1,697,069
Investment income	825	2,168	2,993
Rents	3,960	-	3,960
Miscellaneous1	-	-	-
Total revenues	1,661,854	42,168	1,704,022
EXPENDITURES			
Current:			
General government	43,777	-	43,777
Community development	346,603	-	346,603
Parks and recreation	33,961	-	33,961
Highways and streets	446,297	-	446,297
Capital outlay:			
Parks and recreation	17,767	-	17,767
Highways and streets	8,274	-	8,274
Total expenditures	896,679	-	896,679
Excess (deficiency) of revenues over (under) expenditures	765,175	42,168	807,343
OTHER FINANCING SOURCES (USES)			
Transfers out	(107,440)	(63,301)	(170,741)
Total other financing sources (uses)	(107,440)	(63,301)	(170,741)
Net change in fund balances	657,735	(21,133)	636,602
Fund balances - beginning	1,503,515	119,018	1,622,533
Prior year adjustments	(10,376)	264	(10,112)
Fund balances - ending	$ 2,150,874	$ 98,149	$ 2,249,023

CITY OF AVENAL
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Local Transportation	Tire Amnesty	Gas Tax Fund	Community Development Block Grant Funds	Parks and Recreation	Water Trans Line Grant Funds	Avenal City Operating Authority	Totals
ASSETS								
Cash and investments	$ 558,877	$ -	$ 1,290,073	$ 9,946	$ 106,663	$ 3,447	$ -	$ 1,969,006
Receivables:								-
Intergovernmental	373,047	-	52,654	-	37,073	33,315	990	497,079
Total assets	$ 931,924	$ -	$ 1,342,727	$ 9,946	$ 143,736	$ 36,762	$ 990	$ 2,466,085
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ -	$ -	$ 11,309	$ 572	$ 348	$ 22,603	$ 969	$ 35,801
Interfund payables	$ -	87,351	-	15,710	10,914	115,221	50,214	279,410
Total liabilities	-	87,351	11,309	16,282	11,262	137,824	51,183	315,211
Fund balances:								
Restricted:								
Highways and streets	931,924	-	-	-	-	-	-	931,924
Community development	-	-	1,331,418	-	-	-	-	1,331,418
Unassigned	-	(87,351)	-	(6,336)	132,474	(101,062)	(50,193)	(112,468)
Total fund balances	931,924	(87,351)	1,331,418	(6,336)	132,474	(101,062)	(50,193)	2,150,874
Total liabilities and fund balances	$ 931,924	$ -	$ 1,342,727	$ 9,946	$ 143,736	$ 36,762	$ 990	$ 2,466,085

CITY OF AVENAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Local Transportation	Tire Amnesty	Gas Tax Fund	Community Development Block Grant Funds	Parks and Recreation	Water Trans Line Grant Funds	Avenal City Operating Authority	Totals
REVENUES								
Intergovernmental revenues	$ 377,047	$ -	$ 777,708	$ -	$ 199,770	$ 302,544	$ -	$ 1,657,069
Investment income	236	-	532	5	52	-	-	825
Rents	-	-	-	-	-	-	3,960	3,960
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	377,283	-	778,240	5	199,822	302,544	3,960	1,661,854
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	43,777	43,777
Community development	-	-	-	8,863		337,740	-	346,603
Parks and recreation	-	-	-	-	33,961	-	-	33,961
Streets	4,213	-	442,084	-	-	-	-	446,297
Capital outlay:								
Parks and recreation	-	-		-	17,767	-	-	17,767
Streets	-	-	8,274	-	-	-	-	8,274
Total expenditures	4,213	-	450,358	8,863	51,728	337,740	43,777	896,679
Excess (deficiency) of revenues over (under) expenditures	373,070	-	327,882	(8,858)	148,094	(35,196)	(39,817)	765,175
OTHER FINANCING SOURCES (USES)								
Transfer In	-	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	(107,440)	-	-	(107,440)
Total other financing sources (uses)	-	-	-	-	(107,440)	-	-	(107,440)
Net change in fund balances	373,070	-	327,882	(8,858)	40,654	(35,196)	(39,817)	657,735
Fund balances - beginning	558,854	(87,351)	1,003,536	2,522	91,820	(65,866)	-	1,503,515
Prior period adjustments	-	-	-	-	-	-	(10,376)	(10,376)
Fund balances - ending	$ 931,924	$ (87,351)	$ 1,331,418	$ (6,336)	$ 132,474	$ (101,062)	$ (50,193)	$ 2,150,874

CITY OF AVENAL
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUND
JUNE 30, 2019

	Capital Improvement Project Fund
ASSETS	
Cash and cash equivalents	$ 98,149
Total assets	$ 98,149
LIABILITIES	
Accounts payable	$ -
Total liabilities	$ -
FUND BALANCE	
Fund balance:	
Committed:	
Capital projects	98,149
Total fund balance	98,149
Total liabilities and fund balance	$ 98.149

CITY OF AVENAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2019

	Capital Improvement Project Fund
REVENUES	
Intergovernmental revenue	$ 40,000
Investment income	$ 2,168
Total revenues	42,168
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	(63,301)
Total other financing sources (uses)	(63,301)
Net change in fund balance	(21,133)
Fund balance - beginning	119,018
Prior year adjustments	264
Fund balance - ending	$ 98,149

OTHER INDEPENDENT AUDITOR'S REPORTS

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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 Avenal, 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 City of Avenal, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 25, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2019-1 and 2018-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Avenal, State of California'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Avenal, State of California's Responses to Finding

City of Avenal, State of California's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Avenal, State of California's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Sotomayor & Associates, LLP

Sotomayor & Associates, LLP
Certified Public Accountants

August 25, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Honorable Mayor and City Council
City of Avenal, California

Report on Compliance for Each Major Federal Program

We have audited the City of Avenal, California's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Avenal, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sotomayor & Associates, LLP

Sotomayor & Associates, LLP
Certified Public Accountants

August 25, 2020

CITY OF AVENAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through California Department of Housing and Urban Development			
Home Investment Partnerships Program	14.239	15-HOME-10091	$ 7,000
Home Investment Partnerships Program	14.239	15-HOME-10892	208,847
Home Investment Partnerships Program	14.239	16-HOME-11535	3,071,585
Community Development Block Grant Program	14.228	16-CDBG-11133	8,864
Total U.S. Department of Housing and Urban Development			$ 3,296,296
U.S. DEPARTMENT OF JUSTICE			
Direct Award:			
COPS Hiring Program	16.710	2015UMWX0020	$ 44,943
Total U.S. Department of Justice			$ 44,943
U.S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security	66.488	D17-04006	$ 126,315
Homeland Security	66.458	D16-02003	211,423
Total U.S. Department of Homeland Security			$ 337,738
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,678,977

CITY OF AVENAL
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Avenal. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The expenditures are below the single audit threshold of $750,000 and are presented for information purpose only.

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

INDIRECT COST RATE

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CITY OF AVENAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weaknesses identified.		Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a).		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000

Auditee qualified as low-risk auditee?		Yes	X	No

CITY OF AVENAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-1 Bank Reconciliation - Repeated in Current Year

Condition: During our audit procedures, we noticed that the City continues leaving the bank reconciliation unreconciled. The total cash balance on the operating bank account reconciliation did not reconcile to the cash balances recorded on the general ledger as of June 30, 2019, 2018 and 2017.

Criteria: The City should be clearing out all reconciling items from the bank reconciliation monthly to identify potential errors within the system and ensure their cash balance is correct.

Cause: The staff member responsible for approving the bank reconciliation is not checking all reconciling items are accounted for.

Effect: The City did not have a complete and accurate bank reconciliation as of June 30, 2019.

Recommendation: The City should consider a new accounting system that has the bank reconciliation module. The system will not allow to finalize the bank reconciliation until it is properly reconciled. Currently, it is prepared manually which allows to stay continually unreconciled. The person responsible for approving should only sign if it is completely balanced.

Auditee's Comments: The City is working with other software companies for quotes and demonstrations to find an appropriate program for the City to use.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF AVENAL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30. 2019

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding 2018-1 Bank Reconciliation - Repeated in Current Year

Condition: During our audit procedures, we noticed that the total cash balance on the operating bank account reconciliation did not reconcile to the cash balances recorded on the general ledger as of June 30, 2017 and 2018.

Criteria: An effective internal control system provides reasonable assurance for the safeguarding of assets and it requires that general ledger account balances be properly reconciled.

Cause: Due to the fact that the City has a small accounting department, the final and most important step on the reconciliation process was not performed due to time constraints. The bank reconciliation balance was reconciled to the general ledger balances; however, there were remaining balances which were not material to the financial statements.

Effect: The City did not have a complete and accurate bank reconciliation as of June 30, 2017 and 2018.

Recommendation: The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. We recommend that the bank reconciliation format be changed to make reconciliation of these items easier. This would ensure that the bank statement is agreed to the general ledger on a monthly basis and enable visible monthly summary of activity. We also recommend that a member of management reviews the completed bank reconciliation and documents his or her approval by initialing the form.

Auditee's Comments: This finding is considered unresolved.